

Accounting Officer System Statement

Section 1: Scope of the system

1.1 I am the Principal Accounting Officer (PAO) to the Department for Digital, Culture, Media and Sport (DCMS). 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.

1.2 DCMS helps to drive growth, enrich lives and promote Britain to the world. DCMS helps make Britain the world's most creative, digital and engaged nation; an exciting place to live, visit and do business. We support strong and resilient communities, providing opportunities for everyone. Wherever you live and whatever your background, we want your life to be enriched by what we (and the sectors we support) do.

1.3 My department has policy responsibility for:

- Driving international trade, attracting investment and promoting shared values **globally** – promoting the UK as a great place to live, work and visit.
- **Growing** an economy that is creative, innovative and works for everyone.
- Continually drive the UK's **digital connectivity**, telecommunications and digital sectors.
- Maximising social action, cultural, sporting and physical activity **participation**
- Making our **society** safe, fair and informed, online and offline
- Ensure DCMS is **agile** and fit for the future with the right skills, culture and connections.

1.4 Our DCMS vision supports the Civil Service vision to be "A brilliant Civil Service that helps to keep the United Kingdom prosperous and secure, supporting the governments we serve in implementing their commitments and delivering high-quality services for the public."

1.5 The Secretary of State for DCMS (Secretary of State) 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. 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.

1.6 As Accounting Officer, I am personally responsible for safeguarding the public funds for which I have been given charge under the DCMS Estimate and, in respect of the National Lottery Distribution Fund, section 21 of the National Lottery etc. Act 1993. Where I have appointed additional Accounting Officers, their responsibilities are also set out in this system statement.

1.7 This system 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.

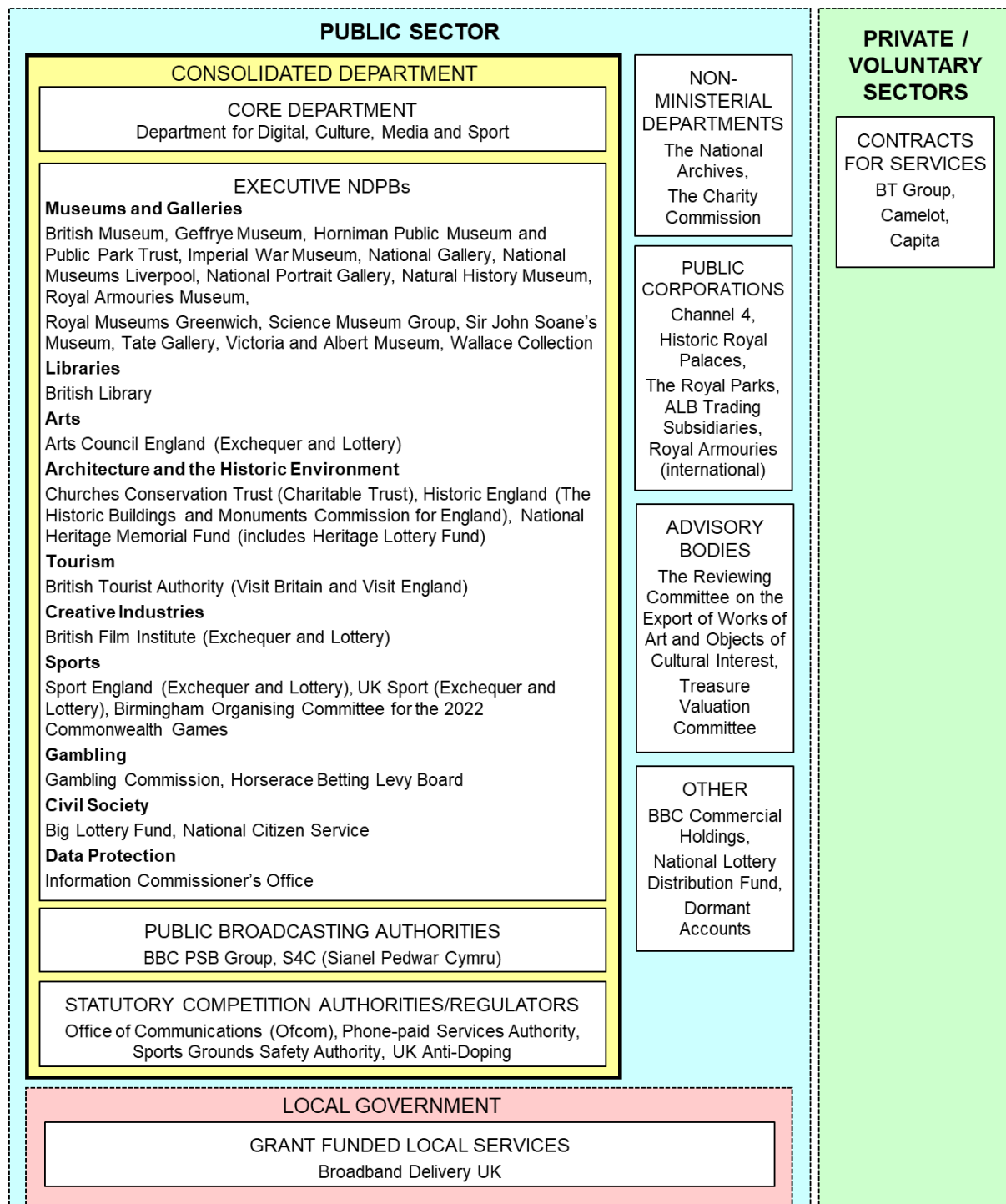
1.8 This system statement helps me ensure that I am fulfilling my responsibilities as an Accounting Officer, in accordance with HM Treasury's guidance set out in Managing Public Money.

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

Sue Owen
Permanent Secretary and Accounting Officer

December 2018

Section 2: Scope of DCMS's accountability



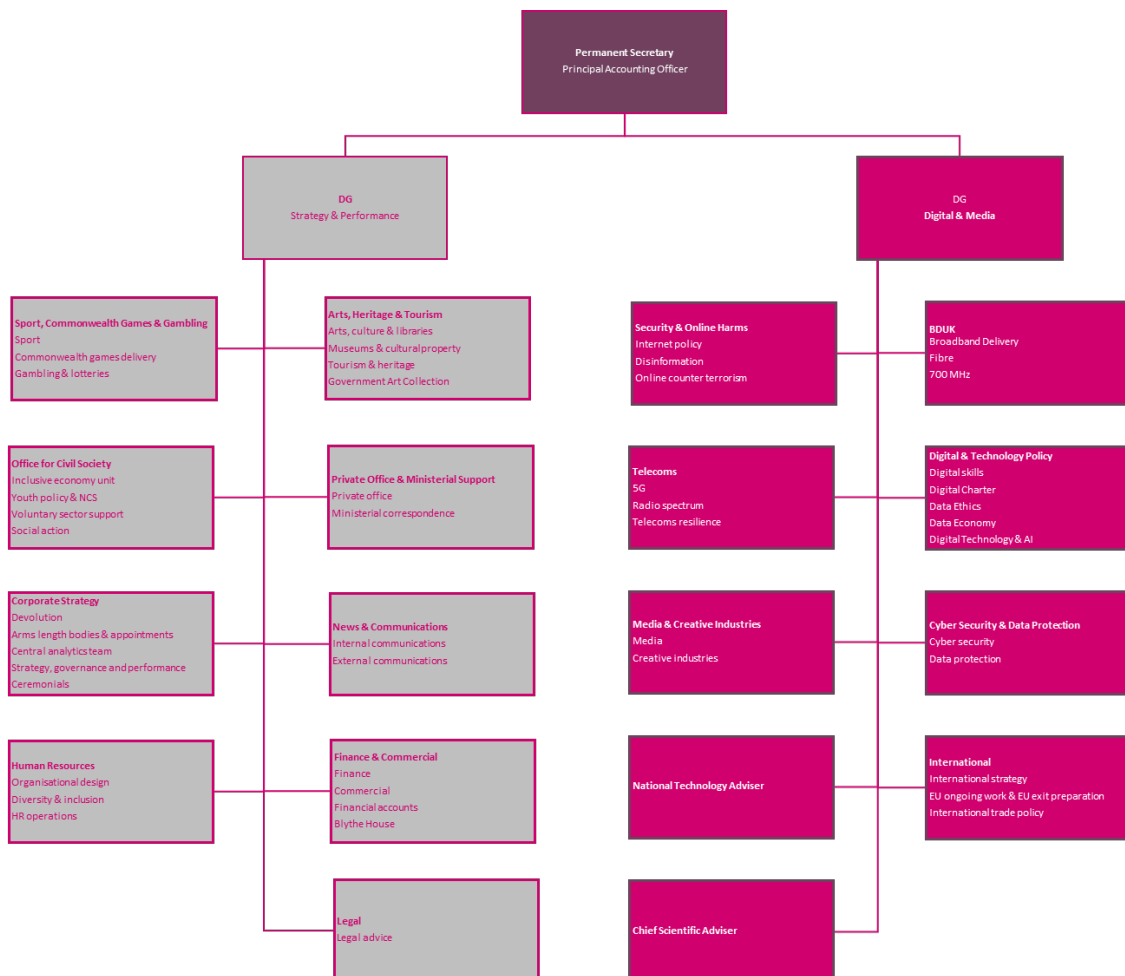
Section 3: Responsibilities within the Core Department

3.1 As the PAO, it is my responsibility to ensure that DCMS has robust governance and operating structures in place to manage its spending, resources and outcomes. This section sets out how the Core Department is organised to ensure accountability for public funds and policy objectives.

Operating structure

3.2 The operating structure is designed with a focus on our policy responsibilities, as well as incorporating the support functions required to deliver on those responsibilities. During 2017-18, the operating structure was consolidated, with directorates falling under two areas adopted in 2016-17: Strategy & Performance and Digital & Media. Each branch is made up of a number of directorates, which are overseen by a Director General. A Director is appointed for each directorate, who is supported by Deputy Directors and team members.

3.3 The operating structure is outlined as follows and provides further details on the directorates.



3.4 Both the Strategy & Performance and Digital & Media branches share policy responsibilities for: promoting Global Britain; growing an economy that is creative, innovative and works for everyone; driving the UK's digital connectivity,

telecommunications and digital sectors; maximising social action, cultural, sporting and physical activity participation; and making our society safe, fair and informed, online and offline. Both branches also share the objective of building an agile and efficient department. By allocating resources specifically to these areas, we are ensuring that DCMS is actively focusing on achieving its responsibilities.

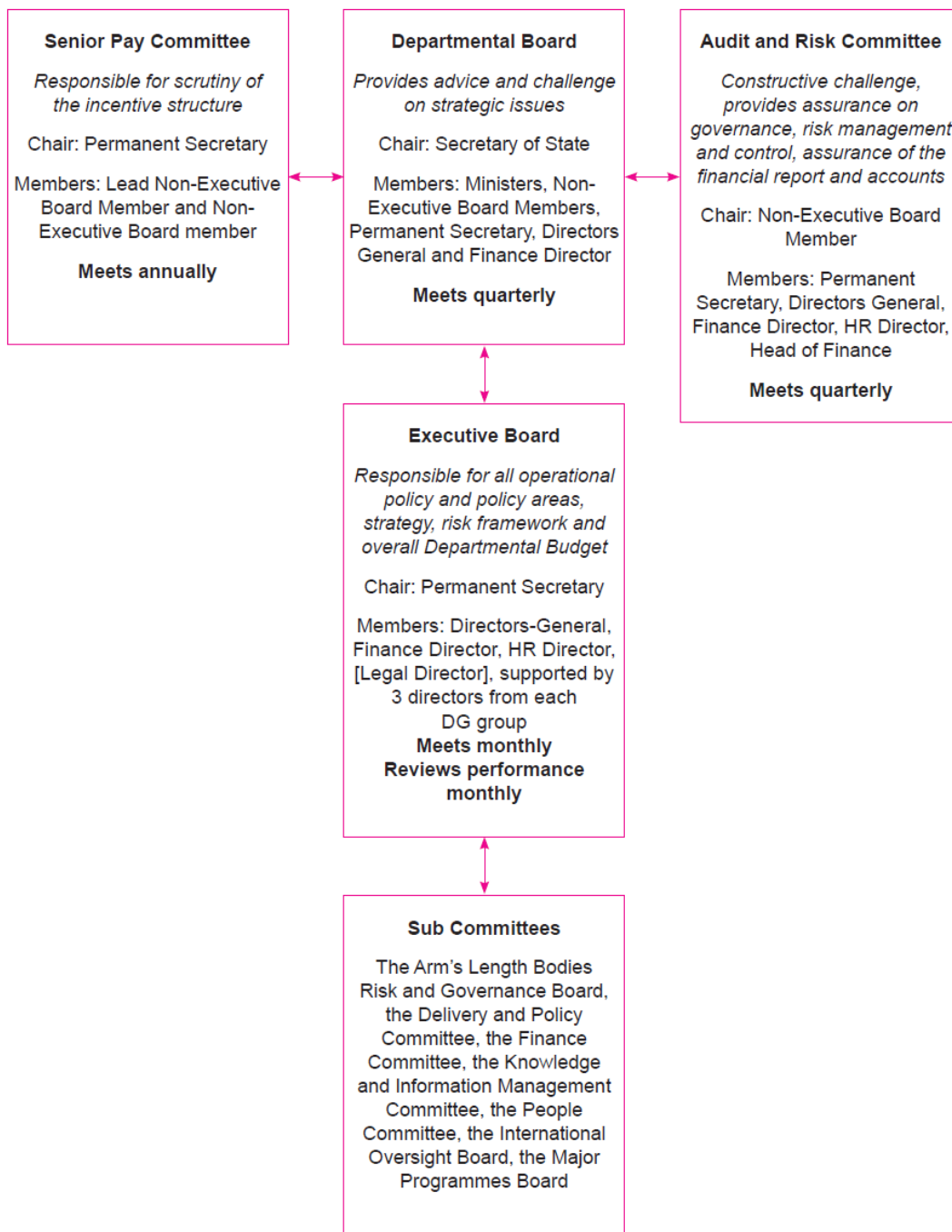
3.5 New directorates have been established and consolidated in 2017-18, addressing the increasing sophistication and breadth of our activities.

3.6 The Directors General and the Finance Director report to me as the PAO, which provides me with the operational oversight I require. Our operating structure establishes clear lines of reporting, which ensures that authority is delegated appropriately and the necessary review channels are in place.

Governance structure

3.7 DCMS's governance structure is made up of a number of boards and committees, each with its own remit. At the top of the governance structure is the Departmental Board, which is chaired by the Secretary of State. The Departmental Board is supported by the Audit and Risk Committee and the Executive Board. Various committees assist the Boards by reviewing and scrutinising areas of importance.

3.8 DCMS Core Department: Governance structure



3.9 For further information on the responsibilities of the Boards and Committees, please refer to the Governance section of DCMS's Annual Report (see pages 125 – 127).

3.10 DCMS operates a risk framework with three lines of defence: operational management, internal governance, and internal audit. This ensures there are checks across the Department monitoring performance. Any risks identified are escalated through three management levels, namely local/project, Committee and Board level. Further commentary on the risk management process can be found in the Governance section of DCMS's Annual Report.

3.11 Assurance reporting exercises undertaken every six months supplement DCMS's risk management process. Senior managers and Directors are requested to report on their compliance with internal control procedures and must identify any significant exceptions. Those responsible for key internal control systems must indicate the main risks and their responses to them.

3.12 The Government Internal Audit Agency (GIAA) carry out the internal audit function for the Core Department. They provide an independent assessment of the risks faced and how well these are identified and managed. GIAA provides recommendations for improvement, if required, which are communicated to the appropriate board or official to implement. In particular the Group Chief Internal Auditor gives an independent opinion regarding the adequacy and effectiveness of arrangements for risk management, control and governance. The result of which can be found in the Annual Report and Accounts. Similar arrangements are in place at all DCMS ALBs.

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

3.14 Further details on the role of internal and external audit can be found in the DCMS Group's Annual Report and Accounts.

Section 4: Relationships with ALBs

Overview

4.1 DCMS is a department of 887 payroll staff and 79 non-payroll staff. However, most of our funding is channelled into a wide network of circa 45 arm's length bodies (ALBs) with a combined workforce of over 30,000 people.

4.2 Our ALBs include a wide variety of organisations, from world-renowned museums and galleries to broadcasters, regulators and national funding bodies, most of which are consolidated into DCMS's own accounts. The Department has a different relationship with each of them depending on their purpose, remit and level of public funding.

4.3 The accountability arrangements outlined below apply across DCMS's ALBs.

ALB Accountability

4.4 As PAO, I am responsible for appointing all ALB Accounting Officers. Generally this is the Chief Executive Officer of the ALB. A list of individual Accounting Officers can be found in the latest Supplementary Estimates published by HM Treasury (HMT).

4.5 All newly appointed Chief Executive Officers receive a letter from me confirming their appointment as Accounting Officer. This letter sets out my accountabilities and responsibilities and informs them of their own accountabilities and responsibilities, including that they are responsible for the use of resources in carrying out the ALBs functions as set out in the Management Agreement. Management Agreements are negotiated between DCMS and each ALB, and signed by the ALB's Chair. The agreements are then published on the ALB's website and Gov.uk, and are formally reviewed annually and/or following every fiscal event.

4.6 On appointment, all Accounting Officers are required to attend the Civil Service Learning course, an 'Introduction to Accounting Officer Responsibilities', which provides a thorough understanding of propriety and regularity issues, as they affect those in public service. Additionally, the DCMS Director of Finance invites them into an Accounting Officer introductory discussion, to explain the role from the departmental point of view.

4.7 I am personally responsible for safeguarding the public funds for which I have been given charge, including funds paid to through grant-in-aid. However, the responsibility for these public funds also flow through to the Accounting Officer of each ALB. The appointment letters and training provided to the ALB Accounting Officers formalises this responsibility and provides clarity around the expectations of all parties.

4.8 The Department's ALBs are governed by their own independent boards and each has separate governance and internal assurance structures. Further details on individual ALB governance and internal assurance structures can be found in their Annual Report and Accounts. DCMS's role in the governance structure of ALBs is that Ministers appoint ALB board members, in accordance with the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Public Bodies. This gives DCMS oversight over the individuals who will be governing each ALB. To ensure the relationship between ALB Board members, the Department and Ministers is understood, DCMS runs a quarterly ALB Board Induction programme.

4.9 DCMS's relationship with each ALB is negotiated and set out in a bespoke, published document, termed the 'Management Agreement' (or 'Charter' in the case of the

BBC). This document includes sections on funding levels, jointly agreed priorities, performance measures, engagement, financial controls and the governance framework. This formalises the relationship between DCMS and the ALB and establishes accountability, responsibilities and monitoring activities. The Management Agreement also sets out the performance monitoring and engagement arrangements where the ALB is held to account for delivering its priorities. The content of the Management Agreements are monitored annually.

4.10 DCMS funds the National Citizen Service Trust (NCS) via grant-in-aid drawdowns, which are to be received from December 2018, when the NCS was made an ALB.

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

Funding

4.12 The majority of funding provided by the Department to its ALBs is paid as grant-in-aid. Some ALBs supplement this by income from charitable sources and/or commercial activities. Other ALBs are solely responsible for the distribution of Lottery funding e.g. Big Lottery Fund and Heritage Lottery Fund.

4.13 Once DCMS's funding allocations are set, DCMS determines the grant-in-aid for each ALB. The ALB is also set budgetary control totals, which are caps, on different types of expenditure that cannot be exceeded. The ALB is issued a funding allocation letter, which advises the amounts. These allocations are also reflected in the Management Agreement between DCMS and the ALB.

4.14 Grant-in-aid is paid at regular intervals, usually monthly, to the ALBs in accordance with the amount stated in the funding allocation letter. Forecasts of expenditure are gathered monthly to ensure that the ALBs are operating within their budgetary control totals. Breaches of budgetary control totals are investigated.

Monitoring ALBs

4.15 DCMS operates an "arm's length" principle of sponsorship; giving its ALBs operational distance whilst maintaining the important principles of public accountability.

4.16 Within this context, DCMS has developed a risk-based system of engagement with its ALBs. This is known as the ALB Risk Assessment process. The level and nature of risk an ALB presents to DCMS dictates the level and regularity of formal contact between the Department and the ALB. This allows DCMS to manage effectively its relationship with its large ALB portfolio with a relatively small amount of resources. This process is designed to cover all risks to the Department relating to its ALBs, whether Executive NDPBs, Advisory NDPBs or Public Corporations. The DCMS Risk model focuses on financial and legal, operational, organisational and reputational risks. DCMS also has an ALB Risk and Governance Board that reviews ALB risks, carries out deep dives on risks, challenges sponsor teams on assessment of risks and mitigations, and provides assurance to the Executive Board.

4.17 DCMS has developed a Risk Management Guide for all sponsor teams, which sets out how the Department's ALB risk assessment operates, including how an individual rating relates to the level of the Department's engagement with it. It includes guidance on:

- The Department's approach to managing ALB risks;
- What these risks are;
- How sponsors should approach the risk assessment exercise;
- The risk escalation process for ALB risk;
- Roles and responsibilities; and
- How risk rating relates to risk engagement.

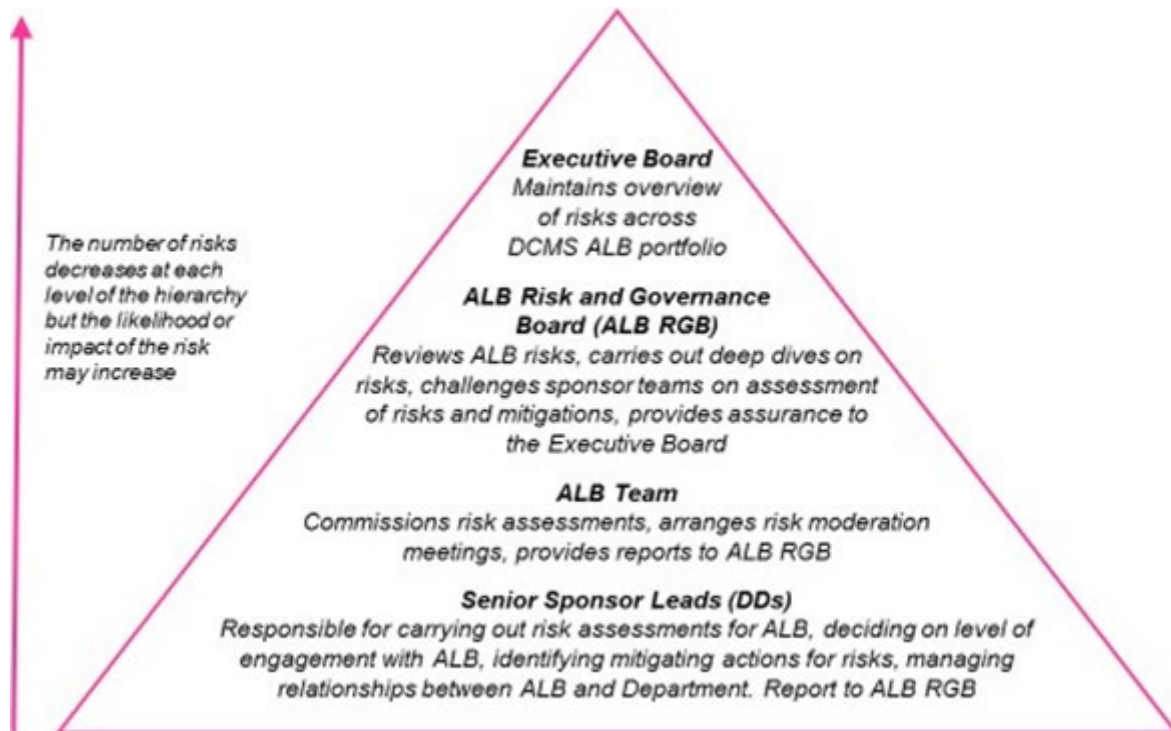
DCMS's Approach to ALB Risks

4.18 Under DCMS's risk-based approach, departmental resources will be directed to where they are most needed, i.e. to ALBs which present a high risk to DCMS. This process is in addition to the informal and day-to-day contact that sponsors have with ALBs as a matter of routine.

4.19 Risk assessments are made by sponsor teams based on their knowledge of the ALBs. The ALBs themselves do not have any input into this risk assessment process. The assessment and the issues are based on the engagement with ALBs. Risks must be considered with a sense of proportionality, with risks to DCMS as a whole and its key priorities, scoring more highly.

4.20 The diagram on the following page shows the Department's risk hierarchy.

Risk Management Hierarchy and a summary of responsibilities



4.21 An assessment of the risks posed by ALBs to DCMS is carried out quarterly. A Deputy Director level group, chaired by the Chair of the ALB Risk and Governance Board (ALB RGB), considers four categories of risk: financial and legal, operational, organisational and reputational risks, across all ALBs. Thematic risks are surfaced and a report produced for the ALB RGB.

4.22 The ALB RGB is a sub-committee of the DCMS Executive Board, which it reports to quarterly. The ALB RGB actively engages and encourages the use of risk management by sponsor teams; discussing thematic risks; and agreeing mitigating action where appropriate. The ALB RGB may look at individual risks in more detail and commission sponsor leads to produce papers or attend meetings to explain the risk, as needed.

4.23 The Executive Board considers the ALB RGB's report and if required will ask for further assurance from the ALB RGB Chair (who attends Executive Board). The Chair of the Department's Audit and Risk Committee sits on the ALB RGB, thus ensuring a link between the ALB governance and the overall governance, risk management and control framework of DCMS.

4.24 A more rigorous ALB sponsorship process is being developed to support effective, proactive risk management, governance and control. The ALB Partnership project has been designed to deliver over the year three key objectives:

- Provide assurance to the satisfaction of DCMS that governance and oversight arrangements are appropriate for a risk-based arm's length relationship, including regarding compliance with 'Managing Public Money';
- Ensure the strategic objectives of DCMS and its ALBs are appropriately aligned; and
- Ensure DCMS and its ALBs are appropriately organised, skilled and engaged (so as to maximise impact and value).

Other Assurance Processes

4.25 The DCMS Finance Team has a separate calendar of engagement with ALB finance teams that is based specifically on perceived financial management and forecasting risks. ALBs are required to operate management information and accounting systems that enable them to review, in a timely and effective manner, financial and non-financial performance against budgets and targets set out in corporate and business plans.

4.26 An ALB Chairs and Chief Executives meeting, attended by Ministers and the Permanent Secretary, is held every 6 months.

4.27 The DCMS Finance Director holds an ALB Finance Directors meeting several times a year.

4.28 The chair of the DCMS Audit and Risk Committee oversees a forum, bringing together the Audit and Risk Committee chairs of the ALBs.

4.29 As independent entities, all ALBs are also required to comply with companies, charities and any other relevant legislation as appropriate.

4.30 DCMS is engaged in a 5 year programme of Tailored Reviews of its ALBs. Each Tailored Review examines whether the ALB remains fit for purpose, and if so, looks for greater efficiencies and ensures a robust governance structure.

Partnerships between departments and arm's length bodies: Code of Good Practice

4.31 In February 2017, the Cabinet Office launched a Code of Good Practice for developing partnerships between departments and ALBs. The DCMS ALB team was closely involved in the preparation of this document.

4.32 The code sets out four overarching principles of good practice – Purpose, Assurance, Value and Engagement (PAVE) – as the starting point for bringing greater consistency to this relationship. The four principles are underpinned by a number of standards that DCMS and ALBs are to adopt to evidence their alignment with the code.

4.33 To provide an evidence baseline from which to assess the impact of the code, the Institute for Government is conducting a survey that uses the principles and standards to assess current relationships between departments and ALBs, and see how they can be embedded in practice. This survey has gone to all Chairs and Chief Executives of DCMS ALBs to assess current practice and it will be followed up in approximately 12 months to test the impact of the code.

4.34 DCMS is currently undertaking its own “gap analysis” assessment against the code, which will form the basis of its own action plan to meet the code.

The BBC

4.35 The BBC is the most significant ALB in the DCMS group. The BBC was established by Royal Charter. The Charter granted in 2006 ceased to have effect on 3 April 2017 when a new 2016 Charter came fully into operation. The new Charter abolished the BBC Trust and created a new unitary BBC Board with Ofcom becoming the BBC's regulator. The BBC Board has 14 members, with the Government appointing the Chair and four non-executive

members for each of the nations. The BBC has appointed five non-executives and four executive members to the Board.

4.36 Neither Ministers nor the Department have direct responsibility or accountability for the BBC's day-to-day expenditure, nor operational, managerial or editorial decision-making, as these roles are vested in the BBC Board under the Charter and Framework Agreement (which sits alongside the Charter and governs the detailed issues around the BBC's operation).

4.37 The BBC is funded through the TV licence fee and its commercial operations. The licence fee is payable to the BBC under the Communications Act (2003), which it collects under the name of 'TV Licensing'. The licence fee is paid by an individual to TV Licensing, which transfers the sums received into the Consolidated Fund i.e. HMT. The BBC receives its funding in the form of a grant from DCMS in an amount equal to the revenue derived from the TV licence fee, less any administrative costs, in line with Clause 49(1) of the Framework Agreement.

4.38 As a public body in receipt of public money, the BBC may be called in front of Parliamentary Committees. Its annual report and accounts are laid before Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly.

4.39 Under the current Royal Charter, from April 2017 the National Audit Office has been appointed as auditor of the BBC and its commercial subsidiaries, with wide-ranging access to conduct value-for-money reviews of the BBC's work.

Non-ministerial bodies

The Charity Commission

4.40 The Charity Commission for England and Wales is a non-Ministerial Department. It is funded directly by Parliament (not via DCMS). The Commission's Accounting Officer is its Chief Executive Officer. As independent registrar and regulator, the Charity Commission is statutorily independent of Government and Ministerial direction or control.

4.41 DCMS Ministers have limited responsibilities in relation to the Charity Commission; primarily the appointment of its board, and responding to Parliamentary Questions and debates. DCMS Ministers are responsible for the legal framework for charities in England and Wales.

4.42 The Charity Commission publishes its own annual report and accounts and HMT Ministers lay them in Parliament.

4.43 The Accounting Officer for the Charity Commission is accountable to Parliament for its spending and performance rather than through DCMS.

The National Archives

4.44 The National Archives is a non-Ministerial Department. It is funded directly by Parliament (not via DCMS).

4.45 The National Archives' Accounting Officer is its Chief Executive and Keeper. The Chief Executive and Keeper reports annually to the Secretary of State on the work of The

National Archives. The report is laid in both Houses of Parliament in accordance with section 1(3) of the Public Records Act 1958.

4.46 The Secretary of State is responsible for The National Archives and for public records, wherever located, and is accountable to Parliament concerning them. The Secretary of State appoints and approves the conditions of service of the Chief Executive and Keeper. The Secretary of State considers and approves The National Archives' strategic priorities. The Secretary of State also sets fees for services provided by The National Archives under Section 2(5) of the Public Records Act. Day-to-day ministerial responsibility for The National Archives has been delegated by the Secretary of State to the Minister of State.

4.47 The Accounting Officer for The National Archives is accountable to Parliament for its spending and performance rather than through DCMS. The National Archives has produced its own Accounting Officer System Statement.

Advisory bodies

4.48 DCMS has a number of advisory bodies that convene as required. The current advisory bodies are:

- The Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest
- Treasure Valuation Committee.

4.49 The advisory bodies are largely independent and receive limited funding. The advisory bodies have no permanent personnel as the bodies are only assembled on an ad hoc basis. On this basis, there are no formal accountability relationships in place with advisory bodies.

Public Corporations (as defined by the ONS)

4.50 DCMS sponsors the following public corporations, which do not appear in DCMS's annual accounts. However should these public corporations undertake any borrowing, the financing raised will be recorded in the budgetary outturn of DCMS.

Channel 4

4.51 Channel 4 Television Corporation (C4C) is a statutory corporation without shareholders, established under the terms of the Broadcasting Act 1990. C4C receives no direct funding from government, but as a public service broadcaster receives indirect support in the form of reserved access to valuable digital spectrum and due prominence on electronic programme guides (EPGs). C4C holds quarterly meetings with DCMS officials, UK Government Investments (UKGI) and Ofcom to discuss financial performance, forecasts and management of risks.

Historic Royal Palaces

4.52 Historic Royal Palaces (HRP) is an independent charity established by Royal Charter that looks after the Tower of London, Hampton Court Palace, the Banqueting House, Kensington Palace, Kew Palace and Hillsborough Castle. HRP is governed by a Board of Trustees, who are appointed by the Queen or the Secretary of State. As HRP is a registered charity and also a public corporation, it receive no funding from Government and is funded through commercial income, donations and sponsorship.

4.53 HRP is contracted to look after the Palaces on behalf of the Secretary of State, who has responsibility for them under the Crown Lands Act 1854. The contract sets out the obligations of both DCMS and HRP with regard to the management of the Palaces. This, together with a Management Statement and a Financial Memorandum agreed between the Secretary of State and HRP's trustees, constitutes the entire agreement.

4.54 Under articles 4.2 and 4.3 of the contract for “the provision of services in respect of the care, conservation and presentation to the public of the Historic Royal Palaces”, the standards of service are to be assessed through annual performance targets covering visitor satisfaction, financial liquidity, conservation of the fabric and any other target mutually agreed by the Secretary of State and HRP.

The Royal Parks

4.55 From March 2017, responsibility for managing and maintaining The Royal Parks transferred from an Executive Agency of DCMS to an independent charity. The charity operates under a contract for services, which lasts for up to 10 years and includes some challenging KPIs. Delivery of the contract is monitored by the Heritage Team in DCMS.

National Citizen Service

4.56 The Office of Civil Society (OCS) and its responsibilities were transferred from the Minister for the Cabinet Office to the Secretary of State in 2016. OCS supports the National Citizen Service (NCS) programme, a programme that focuses on personal and social development of our young people. The work of NCS contributes towards DCMS's policy objective of maximising cultural and sporting participation and social action.

4.57 In December 2018 the NCS became an ALB of DCMS, receiving grant-in-aid drawdowns for funding.

ALB Trading Subsidiaries

4.58 Many of the ALBs that DCMS sponsors have wholly owned trading subsidiaries. The accountability relationships set out in the ALB section extend to these ALB subsidiaries. These trading subsidiaries are recognised as financial instruments in the DCMS Group accounts.

Section 5: Local funding arrangements

Broadband Delivery UK (BDUK)

5.1 The Superfast Broadband Programme funds Local Bodies and Devolved Administrations to enter into contracts with suppliers. DCMS does not contract directly with suppliers. The BDUK Accounting Officer System Statement for the Rural Broadband Delivery Programme explains how DCMS ensures regularity, propriety and value for money in the deployment of its funding. This is through a staged assurance process which is linked with each milestone in the Local Bodies' project lifecycles and which ensures that projects support the programme objectives efficiently, effectively and without over-compensating the commercial supplier.

5.2 The Better Broadband Scheme (the Scheme) provides access to a subsidised broadband installation for homes and businesses that are unable to access a broadband service with a download speed of at least 2 Mb per second and who will not benefit from the Superfast Broadband Programme. The Scheme is administered and managed by BDUK. To ensure regularity, propriety and value for money in the deployment of funding, a staged assurance process is applied to suppliers and applicants throughout their involvement with the Scheme. Specifically, the eligibility of applicants is checked by Local Authorities, using their local data and information on coverage, and each supplier claim is subject to assurance by BDUK prior to payment (while Local Authorities have a role in determining whether an applicant is eligible, funding is not delegated to Local Authorities at any stage).

5.3 The 700MHz programme is a Government Major Project. The Accounting Officer has therefore delegated responsibility to the SRO. The programme is governed by a Programme Board which includes independent Board members, HMT, the Infrastructure and Projects Authority and the DCMS Finance Director. Additionally the Accounting Officer has delegated funding to Ofcom who make grants to cover the infrastructure costs. Ofcom will also run the Scheme which will provide support to the programme Maker and Special Events community who will have to vacate the spectrum sooner than expected. Ofcom reports to the Programme Board. It has delegated responsibility to make grants of up to £10m. DCMS assures grants over £10m and makes recommendations to HMT on approvals.

5.4 The Local Full Fibre Networks (LFFN) programme is a Government Major Project and forms part of the Treasury's National Productivity Investment Fund (NPIF). £190m has been allocated to a "Challenge Fund" for Local Bodies to apply for funding for projects to support the build of "full fibre" infrastructure to enhance a Local Body's own capacity to deliver whilst also providing an added incentive for telecoms providers to build fibre infrastructure in a local geography more widely. Similar to BDUK's Superfast Programme, the LFFN programme has a robust assurance process, with thorough due diligence processes when selecting projects to fund, followed by proportionate assurance processes to ensure the proper use of funds during project delivery.

Telecoms

5.5 The 5G Testbeds and Trials Programme (the Programme) aims to ensure that the UK is well-placed to capitalise on the strategic opportunities presented by 5G and address the problems that we have identified, alongside a set of desired outcomes. The Programme, while administered by the Telecoms directorate, has its own finance, commercial and policy leads to manage day to day responsibilities and an assurance process involving independent scrutiny from neighbouring teams (i.e. BDUK/LFFN through the Design

Approval Panel and Programme Approval Board processes) as well as OGDs (BEIS sit on 5G Programme Board).

5.6 Grants are generally awarded based open competitions and due diligence is performed on all applicants as part of the process. In some cases where there is a strong justification - for example, Network Rail for rail projects (given they are the only body which can deliver the work), grants may be directly awarded to public bodies. Any non-grant expenditure required for the Programme is spent in accordance with standard Government procurement processes.

Lottery

5.7 The National Lottery Distribution Fund (NLDF) was established in the National Lottery etc. Act 1993, as amended (the Act). Its purpose is to receive and hold monies generated by the National Lottery for Good Causes until such time as is needed for the payment of Lottery awards or administration. It receives no direct funding from Government.

5.8 The Secretary of State controls and manages the NLDF, as steward on behalf of Lottery Distributing Bodies. The NLDF is administered by DCMS officials on a cost recovery basis. My PAO appointment extends to the NLDF, and it is therefore subject to all relevant DCMS oversight, assurance and governance processes and procedures.

5.9 Amounts in the NLDF are invested by the Commissioners for the Reduction of National Debt (CRND) on a cost recovery basis. The relationship between DCMS and CRND is governed by a Memorandum of Understanding, which also establishes agreed procedures around payments into and out of the Fund and their investment. Investment of NLDF monies is further governed by a Direction issued by HMT which determines the investment principles.

5.10 The NLDF reports to Parliament via its Annual Report and Accounts.

5.11 Monies flowing into the NLDF for Good Causes are derived from National Lottery ticket sales under the terms of the National Lottery operating licence. The current licence holder is Camelot, a private sector organisation which reports on its National Lottery operations, systems of oversight and administration, via annual published Group and Company financial statements. Work around the competition for the 4th licence is underway.

5.12 The Act establishes the Gambling Commission (GC) as the independent regulator of the National Lottery licence holder. The GC has implemented its own systems and structures to enable the effective discharge of its responsibilities. This includes a National Lottery Committee, both to provide advice to the Commissioners and Chief Executive and to discharge other functions directly under delegated authority. A framework of other subsidiary committees is established to support effective decision-making including, but not limited to, an Audit Committee. The GC also has recourse to enforcement action, financial penalties and, ultimately, revocation of the operating licence if it deems necessary.

5.13 Although the GC is the independent regulator of the National Lottery licence holder, it is also an arm's length body of DCMS and subject to DCMS's common ALB oversight mechanisms, see section 4.

5.14 Monies flow out of the NLDF at the request of Lottery Distributing Bodies to meet payments on Lottery grants or Lottery administration costs. Information on accountability systems in grant giving bodies under DCMS's remit is detailed further in section 7.

5.15 Six of the Lottery Distributing Bodies are also ALBs of DCMS, four of which have a UK-wide remit. These are subject to common DCMS ALB oversight, assurance and governance structures and systems. The remaining six Lottery Distributing Bodies are ALBs of relevant devolved administrations and subject to their oversight and accountability frameworks. They report annually to their respective Ministers and are not consolidated into the DCMS Group accounts.

5.16 Under the Act, the Secretary of State can issue Directions to:

- set high level strategic outcomes for the Lottery monies spent (Policy Directions, which must be taken into account by Distributors in their decision-making);
- ensure propriety, regularity and accountability in their handling of Lottery monies drawn down (Financial Directions, which must be complied with); and
- ensure proper and separate accounting of Lottery monies (Accounts Directions, which must be complied with).

5.17 Direction-issuing authority has been devolved or delegated in whole or in part for those Lottery Distributing Bodies operating wholly or partly in devolved territories.

5.18 DCMS seeks an annual assurance from each Lottery Distributing Body's Accounting Officer of their compliance with the Financial Directions, and seeks confirmation of key systems of internal control in relation to their handling of Lottery monies. These assurances and confirmations contribute to assurances given by me in the Governance Statement of the NLDF Annual Report and Accounts.

Dormant accounts

5.19 The Dormant Bank and Building Society Accounts Act 2008 (the Act) enables banks and building societies to voluntarily hand over to a reclaim fund any monies left unclaimed for over 15 years in dormant accounts. The Act requires the reclaim fund to always hold sufficient funds to meet reclaims from account holders in perpetuity, while the surplus is used to benefit good causes. The organisation established to fulfil this purpose is the Reclaim Fund Ltd, a wholly-owned subsidiary of the Co-operative Banking Group (CBG).

5.20 The Act also established Big Lottery Fund (BLF) as the distributor of this surplus, requiring it to distribute the dormant accounts money for meeting expenditure that has a social or environmental purpose. The Reclaim Fund therefore transfers surplus dormant account monies on a quarterly basis to the BLF. I have designated the Chief Executive of BLF as the Accounting Officer for BLF's management and distribution of the dormant accounts monies it receives.

5.21 BLF apportions the money it receives from the Reclaim Fund between the four home countries of the United Kingdom, according to shares set out in legislation. Each of the four national governments issues policy directions to BLF setting out the funding priorities for distribution of its share of this money, and each has the option, under the Act, to require BLF to produce and agree with Ministers a strategic plan demonstrating how it is complying with the policy directions issued to it.

5.22 DCMS issues financial directions to BLF setting out the requirements for management and control of all the dormant accounts monies it receives from the Reclaim Fund, meaning the financial directions cover England and the devolved regions. The Act requires BLF to annually produce and publish a report and accounts for its distribution of dormant accounts monies, and BLF includes this information in its corporate report and accounts, which is subsequently consolidated into the annual report and accounts for the DCMS Group.

5.23 Ministers in Scotland and Wales have directed BLF to distribute their share of dormant accounts monies to a range of good causes and BLF applies the same governance and control processes to this money that it uses for the distribution of Lottery money, including oversight and decision-making by a non-executive committee in each country.

5.24 The Northern Ireland Executive (NIE) has not yet issued policy directions to BLF, which therefore holds this money in an interest-earning account on the NIE's behalf, pending receipt of directions. UK Government has no legal powers to direct BLF to distribute the Northern Ireland share.

5.25 In England, the Act limits dormant accounts expenditure to three purposes: meeting the needs of young people (services, facilities, opportunities); improving financial inclusion (access to financial services or the ability to manage one's own finances); or issuing to a social investment wholesaler (for subsequent funding projects with a social or environmental purpose). Ministers have issued a policy direction to BLF that it will distribute the whole of the English portion of dormant account money in the form of non-repayable grants to the Big Society Trust (part of the Big Society Capital Group) to invest in Big Society Capital, acting as a social investment wholesaler.

5.26 As for Lottery money, where the awarding of grants has been delegated to a third party, the necessary due diligence is carried out to ensure that the third party has the appropriate systems in place and that the arrangement is monitored on an ongoing basis. Although, given the terms of the directions, BLF itself has not delegated to Big Society Trust (BST) or to Big Society Capital (BSC), equivalent assurance is nevertheless provided by the governance arrangements established when these organisations were launched.

5.27 The object of the BST, defined in its Articles, is to promote commerce in the service of the social good through the promotion and development of social investment and the social investment market in the United Kingdom, and to provide oversight of BSC with the aim of ensuring that BSC remains true to its object. The Board of the BST is not, however, involved in BSC investment decisions or operational issues.

5.28 The object of BSC, defined in its Articles, is to act as a social investment wholesaler and generally to promote the development of the social investment marketplace in the United Kingdom, and also to use dormant account monies as a social investment wholesaler in a manner that is consistent with the Act. BSC is authorised and regulated by the Financial Conduct Authority.

Section 6: Third party delivery partnerships

6.1 DCMS works with a number of partner organisations to meet its objectives and deliver services to the public.

Section 7: Grants to private and voluntary sector bodies

7.1 DCMS and its ALBs (including the Lottery Distribution Bodies) provide grants for specific purposes to a wide range of public and third sector organisations. Whilst a range of different systems exist, this section provides an overview of the systems that are in place. The systems in place are in line with the government grants minimum standards.

7.2 The grant-providing bodies have developed a systematic approach in operating their grant schemes. The Board of each body develops a strategic framework, which provides guidance for determining the funding programmes (the types of grants that are available) and for awarding grants. Decisions in respect of its grant schemes are made by either the Board or a separate committee appointed by the body.

7.3 Organisations apply for grants by completing an application form. Through the application form, the grant providing body collects information in respect of the organisation and the project that requires funding. The level of information required will be dependent on the size of the grant, but will include information on why the project is needed, the people it will benefit and how the organisation proposes to achieve its outcomes. Unlike other ALBs, UK Sport focuses on the latter as the first two points are clear from its strategic purpose (i.e. to secure Great Britain's Olympic and Paralympic medal success). Supporting documentation is requested to assess the authenticity and viability of the organisation. This information is reviewed and validated to minimise fraud and to ensure the organisation has the appropriate governance to manage public funds. The grant-providing body will also note any past experiences with the organisation and the integrity of individuals involved with the organisation.

7.4 The appointed committee (or those delegated with authority) assess eligible grant applications against the body's strategic framework and determines successful applications. Funding agreements are signed to establish the terms and conditions of the grant.

7.5 Where the awarding of grants has been delegated to a third party, a partnership agreement is signed to extend the responsibilities of the grant providing body to the third party.

7.6 As grants are provided for a specific purpose, the bodies need to have the appropriate monitoring systems in place to ensure that the grant is used in accordance with the agreed purpose. Monitoring forms may be issued to grant recipients periodically to obtain declarations from the organisation on progress of the project and confirmation of how the grant has been spent. In respect of large grants, financial records and other documentation in respect of the project may be requested.

7.7 The grant-providing bodies gain assurance on the systems in place for its grants schemes through internal reviews. Each body's Board receives reports on funding programmes to ensure they align with the strategic framework. Senior management teams have regular meetings to discuss operational matters and risk management, and are assisted by an Audit and Risk Committee (or similar). The Internal Audit teams review and provide further assurance in respect of the controls in place for managing the grant schemes. These reviews provide me with assurance that the grant schemes, and therefore public funds, are well-managed.

Grants by OCS

7.8 Approvals for grants are made at the scheme level. A business case is put forward that is proportionate to the value of the scheme. The approvals process is also determined by the size of the scheme. In all cases, sign off is required both within the directorate and also externally. At the lowest level, this requires deputy director and finance business partner sign off. Higher value grants face more scrutiny, for example by the departmental Investment Committee.

7.9 Where OCS considers grants might be or are novel, contentious or medium or high risk, we approach the government's new grants advice panel for advice as per the government grants minimum standards.

7.10 Ministerial engagement is also sought throughout the policy development process.

Section 8: Major contracts and outsourced services

8.1 Achieving Value for Money (VFM) is a key priority for the DCMS group and is one of the core principles of our Commercial Policy. Arrangements to ensure VFM is achieved include:

- Robust procurement procedures ensuring that all contracts over £5,000 (excluding VAT) are competed before being awarded, in line with the Public Contracts Regulations 2015 (PCR) and good industry practice.
- In exceptional cases where competition is not possible or appropriate, this activity is subject to a strict governance process based on the Single Tender Action (STA) form. This includes scrutiny over VFM in the absence of competition.
- Use of central government frameworks as a default where possible, allowing DCMS to benefit from the collective purchasing power of government and preferential rates.
- Contract Management and Supplier Relationship Management (SRM) appropriate to the level of the contract to ensure contract deliverables are achieved, on time and within budget, and to the specified standards.
- All contracts over £5,000 have a nominated Contract Manager within the Business Area (DCMS functional team). They also deal with supplier issues and risks, reporting and escalating as appropriate in accordance with our commercial governance structure.
- For complex contracts, the Commercial Team provides additional commercial management support, including help with forecasting and analysing ongoing costs.
- For significant contracts, SRM includes regular meetings focused on driving efficiencies and additional value.
- All Major Projects have a Senior Responsible Owner (SRO) whose responsibilities include overall management of cost and risk, and ensuring contract delivery.
- DCMS is currently in the process of reviewing its Contract Management and SRM procedures and guidance, in line with the Government's newly published Commercial Operating Standards (COS) which have a strong focus on VFM and commercial management - see <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>.

Core Department – BDUK

8.2 All contracts are managed in accordance with the above principles, providing assurance that VFM is being achieved.

8.3 Through the Superfast Broadband Programme, BDUK funds local bodies who then enter into contracts (the majority with BT), rather than BDUK contracting with suppliers directly.

8.4 The programme is managed with an additional layer of assurance for each local body project. A separate AOSS explains the assurance processes in place for each milestone in the project lifecycle.

See: <https://www.gov.uk/government/publications/rural-broadband-delivery-programme-accounting-officer-system-statement>. The process for ensuring VFM is also discussed in section 5.

BDUK have since transitioned the same approach developed on the Superfast Programme across to the newer Local Full Fibre Networks Programme.

Core Department – Shared service governance

8.5 CGI and Midland HR provide transactional finance, Human Resources and expenses management services to the Core Department following a rigorous tender and business case process.

The Gambling Commission

8.6 The Gambling Commission has entered into a contract with Camelot for the operation of the National Lottery, see section 5 for further detail.

The BBC

8.7 Following the completion of a competitive tender, the BBC entered into a contract with Capita in July 2012 for the provision of customer services, payment processing, arrears collection and enforcement of licence fee collection.

8.8 The BBC has set key performance indicators, which offer incentives to Capita based on achieving strong operational performance. Strong operational performance by Capita translates to increased TV licence fee revenue and reduced costs for the BBC – while acting in a fair and reasonable manner with the public. The Capita contract is included in BBC's strategic contracts portfolio, which requires regular reporting and an annual review process. This establishes a regular monitoring system to ensure VFM is being achieved.

Section 9: Investments, joint ventures and other assets

9.1 In January 2018, the Secretary of State purchased the entire shareholding in the private company Royal Armouries (International) Plc, who operate the catering, events and car park businesses at the Royal Armouries principal site in Leeds. This shareholding transferred to the Board of Trustees of the Royal Armouries in 2018. Any other 'government owned companies' for which I am responsible have been outlined in earlier sections. Many of DCMS ALBs (notably the BBC) have wholly owned subsidiaries.

9.2 A full treatment of heritage assets is available in our annual accounts:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727557/Department for Digital Culture Media Sport Annual Report 2017-18 Web Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727557/Department_for_Digital_Culture_Media_Sport_Annual_Report_2017-18_Web_Accessible.pdf)