



Department
of Health &
Social Care



Public Health
England

Framework Agreement between the Department of Health and Social Care and Public Health England February 2018

Annex C: Finance and accounting responsibilities

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C1. The Framework Agreement sets out the broad framework within which Public Health England (PHE) will operate. This annex provides additional detail on the finance and accounting arrangements that complement the Framework Agreement itself.

Annual expenditure limits

C2. The Secretary of State gives PHE its financial allocation (both total revenue and total capital resource use) for the year through main estimates in the allocation letter (see paragraph 9.2 of the main agreement). As Accounting Officer (AO), the Chief Executive ensures that, in any financial year, PHE's spending in each of the following categories does not exceed the limit set by the Secretary of State for that year:

- revenue (non ring-fence);
- revenue (ring-fence);
- capital;
- annually managed expenditure; and
- technical accounting/budgeting.

C3. The AO also ensures that:

- PHE's total spending on administration in any financial year does not exceed either the combined overall admin control limit for PHE, set by the Secretary of State as a subset of the revenue resource limit; and
- in any given year the cash usage of PHE does not exceed the cash limit (allotment) for PHE plus any payments received which are used to offset expenditure that would have otherwise scored against this limit.

C4. Each of the controls referred to in paragraphs 2 and 3 above must be met individually.

C5. In addition to its specific financial responsibilities, PHE has a shared responsibility to ensure overall financial balance in the NHS, including delivery of the controls imposed upon the system by HM Treasury. Effective partnerships developed with other relevant bodies, particularly NHS England and local government will be the key to this.

- C6. Where parties agree information is required to support assurance in respect of financial responsibilities, PHE will supply the Secretary of State with any information he or she needs in a timely fashion.

Business planning

- C7. The DHSC-PHE Framework Agreement (main document) requires PHE to produce a business plan each year (see paragraph 3.8 of the main document). The plan must be costed: supporting guidance issued by the Department will provide the format and level of financial detail required. The budgets as set within the allocation to PHE for both administration and programme-funded activity will be reissued with the planning guidance, incorporating any guidance on overall efficiencies relevant to the Department and its arm's length bodies.
- C8. The business plan should identify detailed revenue, capital and cash forecasts for parliamentary funded activity, and also equivalent expenditure associated with any other income sources. It needs to clearly identify the distinction between costs and income falling inside and outside the administration budget regime.

Parliamentary funding

- C9. Any parliamentary funding provided by the Department for the year in question will be voted in the Department's Supply Estimate and be subject to Parliamentary control.
- C10. The parliamentary funding will normally be paid in monthly instalments on the basis of written applications showing evidence of need. PHE will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from parliamentary funding or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of PHE. Parliamentary funding not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where parliamentary funding is delayed to avoid excess cash balances at the year-end, the Department will make available in the next financial year any such parliamentary funding that is required to meet any liabilities at the year end, such as creditors.
- C11. In the event that the Department provides PHE separate grants for specific (ring-fenced) purposes, it would issue the grant as and when PHE needed it on the basis of a written request. PHE would provide evidence that the grant was used for the purposes authorised by the Department. PHE shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

Accounts

- C12. Paragraph 6.3 of the main document sets out that, given the Secretary of State's powers under the NHS Act 2006 (as amended by the Health and Social Care Act 2012), if required, PHE will allow the Department full access to their information and files.
- C13. In relation to financial reporting, HM Treasury requires the Department to report in-year financial performance and forecasts for all its arm's length bodies, by Estimate Line, and in a specified format, to a strict timetable. PHE will comply with Departmental plans and schedules which enable the Department to meet HM Treasury deadlines, and the Department's overall financial planning to meet HM Treasury spending controls through the Shared Financial Planning Agreement.
- C14. PHE will prepare consolidated annual accounts for each financial year ending 31 March, and interim accounts for shorter periods if required. These must contain PHE's accounts, a consolidation of PHE's accounts and the annual accounts of each subsidiary. PHE's AO must sign the accounts. In relation to these accounts, PHE will:
- ensure that accounts are prepared according to the form, content, methods and principles prescribed by the Secretary of State in his annual group accounting instructions;
 - submit draft accounts by a date to be specified by the Secretary of State, to the Secretary of State; and
 - submit the final accounts by a date to be specified by the Secretary of State, to the Secretary of State and the Comptroller and Auditor General (C&AG).
- C15. The C&AG must examine, certify and report on the consolidated annual accounts, and lay copies of the accounts and the report on them before Parliament.
- C16. As set out in paragraph 4.14 in the main document, as soon as practicable after the end of each financial year and before 31 January after the end of a financial year, PHE must publish a report setting out how it has discharged its statutory duties and what progress it has made towards its objectives. PHE must lay the report before Parliament and send a copy to the Secretary of State. In turn, the Secretary of State must consider PHE's annual report and set out his or her assessment of PHE's performance in a letter. The letter must be published and laid before Parliament.
- C17. The Secretary of State may, with the approval of HM Treasury, direct PHE to prepare interim accounts.

C18. The AO will also ensure that PHE participates fully in all agreement of balances exercises initiated by the Department, and in the form specified by the Department, and that it agrees income and expenditure and payables and receivables balances both with other organisations within the Department's resource accounting boundary and, for the purposes of the Whole of Government Accounts (WGA), with other government bodies outside that boundary. In doing so, PHE should seek to agree all outstanding balances, but in any case should keep within any level of materiality set by the Department.

Audit

C19. Section 8 of the main agreement sets out the high-level requirements for audit.

C20. To meet the requirements for internal audit, PHE will:

- ensure the Department is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with Public Sector Internal Audit Standards;
- prepare an audit strategy, taking into account the Department's priorities, and forward the audit strategy, periodic audit plans and annual audit report, including PHE's Head of Internal Audit's opinion on risk management, control and governance as soon as possible to the Department; and
- keep records of, prepare and forward to the Department an annual report on fraud and theft suffered by PHE and notify the Department of any unusual or major incidents as soon as possible.

C21. The Department is committed to the development of a group assurance model for itself and its arm's length bodies. PHE has agreed to consider moving to a shared service model for internal audit provision once the contract period for its initial provider has expired. PHE will engage with the Department in considering the options for the development of the group assurance model.

C22. The Department's group internal audit service has a right of access to all documents prepared by PHE's internal auditor, including where the service is contracted out. If, when the current contract expires, PHE sources this service from the Health Group Internal Audit Service, this will include allowing the Department access to all previous audit documentation.

C23. In the event that PHE has set up and controls subsidiary companies, PHE will, in the light of the provisions in the Companies Act 2006, ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. PHE shall discuss with the Department the procedures for appointing the C&AG as auditor of the companies.

C24. The C&AG:

- will consult the Department and PHE on who – the National Audit Office or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents including, by virtue of section 25(8) of the Government Resources and Accounts Act 2000, those held by another party in receipt of payments or grants from PHE;
- will share with the Department information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within PHE; and
- will, where asked, provide the Department and other relevant bodies with regulatory compliance reports and other similar reports which the Department may request at the commencement of the audit and which are compatible with the independent auditor's role.

C25. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which PHE has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, PHE is to provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and is to use its best endeavours to secure access for the C&AG to any other documents required by the C&AG that are held by other bodies.

Delegated authorities

C26. Paragraph 9.5 of the main document requires PHE to abide by any relevant cross-government efficiency controls.

C27. PHE has authority to incur expenditure set out in its business plan without further reference to the Department, on the following conditions:

- PHE will comply with its delegated authorities, which cannot be altered without the prior agreement of the Department, noting that authority to approve novel, contentious or repercussive proposals cannot be delegated from HM Treasury; and
- inclusion of any planned and approved expenditure in the budget will not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.

C28. PHE will provide relevant information, and obtain the Department's prior written approval, including HMT and/or collective cross-government clearance before:

- entering into any undertaking to incur expenditure outside its delegations or not provided for in its business plan as approved by the Department; incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; and
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

C29. Where prior approval of spending is required, relevant information will be shared in good time.

C30. For major projects, PHE will participate in the Department's common assurance and approval process.