



Commissioning Board
A special health authority

**Framework Agreement
between the Department of Health and the
NHS Commissioning Board Authority**

**Annex B: Finance and accounting responsibilities and
delegated authorities**

General accounting officer responsibilities

1. The Department's Permanent Secretary, as the Department's principal accounting officer (PAO), has appointed the Authority's Chief Executive as its accounting officer. This entails responsibility for following the principles and rules set out in HM Treasury's guidance: *Managing Public Money*, and in particular:
 - Signing the Authority's accounts, annual report and the governance statement, and ensuring that these accounts and other relevant documents are prepared in accordance with the group accounting instructions issued by the Department (with the approval of HM Treasury);
 - Taking personal responsibility for ensuring regularity and propriety; keeping proper records; safeguarding assets; selection and appraisal of projects; value for money; management of opportunity and risk; learning from experience and accounting accurately for the Authority's financial position and transactions;
 - Ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions relating to policy proposals, and that risk is considered in relation to assessing value for money.

Financial management

2. The Authority must take appropriate steps to ensure that it has put in place effective systems of financial management and internal control. The broad responsibilities of the Authority are set out in the Cabinet Office Corporate Governance Principles and detailed requirements are set out in HM Treasury's *Managing Public Money*. A list of guidance with which the Authority should comply is at Annex A of the framework agreement, and any difficulties or potential bids for exceptions should be referred to the Department.

Financial duties

3. The specific duties for the Authority's accounting officer are as follows:
 - In any financial year, the total revenue spending of the Authority must not exceed the total revenue resource limit control set by the Secretary of State for that year.
 - In any financial year, the total capital spending of the Authority must not exceed the total capital resource limit control set by the Secretary of State for that year.

- In any financial year, the spending of the Authority on administration must not exceed an admin control limit set by the Secretary of State as a subset of the revenue resource limit.
 - In any given year the cash usage of the Authority must not exceed the cash limit (allotment) for the Authority plus any payments received which are used to offset expenditure that would have otherwise scored against this limit.
4. Each of these controls must be met individually.

Funding allocation

5. As part of the Department's annual business planning cycle, the Authority will produce a business plan demonstrating how delivery of the Authority's overarching functions will be achieved. The plan will be required to be costed: supporting guidance issued by the Department will provide the format and level of financial detail required. A target budget will be issued with the planning guidance, incorporating overall efficiencies relevant to the Department and its arm's length bodies.
6. The business plan will need to identify revenue, capital and cash forecasts for grant-in-aid funded activity, and equivalent expenditure associated with any other income sources. It will need to clearly identify the distinction between costs and income falling inside and outside the administration budget regime.

Financial management reporting

7. The Department is required by HM Treasury to report in-year financial performance and year-end forecast of all its arm's length bodies in a specified format and to a strict timetable. The Authority is required to provide the relevant information in good time to enable the Department to meet HM Treasury deadlines.
8. The information supplied for HM Treasury and financial intelligence provided for the Authority's sponsors under accountability arrangements will be the primary sources of in-year financial data for the Department's monitoring of the Authority's financial performance. Existing departmental finance business partner arrangements will extend to the relationship between the Department and the Authority, and any additional in-year financial support and challenge will be determined by the levels and nature of financial risk identified.
9. In addition, the Authority will be required to contribute to responses to other financial information requests as they arise from other government bodies. The Authority will be required to contribute financial data for Parliamentary questions and Freedom of Information requests to enable the Department to maintain an audit trail relating to transition funding, and data about efficiencies to contribute to the shared business service agenda.

Preparation of accounts

10. The Authority must prepare annual accounts for each financial year ending 31 March, and may be required to prepare interim accounts in respect of any period or periods which are less than a complete financial year. The Authority's annual accounts must be prepared according to the form, content, methods and principles prescribed by the Secretary of State in his annual group accounting instructions. The Authority must submit its annual or interim accounts (both unaudited and audited) to the Department by a date to be specified by the Secretary of State. The Authority must submit its annual accounts (and, if required by the Secretary of State, any interim account) to the Comptroller and Auditor General (C&AG) for audit as soon as reasonably practicable after the year end (or, in the case of any interim account, as soon as reasonably practicable after the end of the interim period to which that interim account relates). The Authority must publish an annual report of its activities together with its audited accounts after the end of each financial year.

11. Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts are to be laid before Parliament by the Authority and made available on the Authority's website, in accordance with the guidance in the Government Financial Reporting Manual (FReM). A draft of the report should be submitted to the Department in line with the published timetable.

Responsibilities of the Department's principal accounting officer (PAO) in relation to annual accounts

12. The PAO is responsible for ensuring that the Department's annual resource account is prepared according to the accounting standards and rules laid down in the FReM. She is also responsible for ensuring that the department's annual contribution to the Whole of Government Account (WGA) is prepared in a format specified by HM Treasury. She must ensure that both the resource account and WGA submission are audited by the C&AG, and that the resource account is laid before Parliament in accordance with the timetable set down by HM Treasury.

13. The PAO will ensure that the annual accounts of the Authority are consolidated into both the Department's annual resource account and its contribution to the WGA. In respect of the Department's account, therefore, the PAO will put arrangements in place to:
 - Issue a single set of group accounting instructions to all organisations whose accounts will be consolidated into both the Department's resource account and its contribution to the WGA. These instructions will specify the form and content of the Authority's annual accounts, and the methods and principles by which those accounts are to be prepared. Adherence to these group instructions will ensure that this specification, and therefore the Authority's accounts, are consistent with the FReM. Essentially common use of these group accounting

instructions means that both the Department and the Department's auditors can have assurance that the individual accounts of all organisations which are consolidated into the Department's group account are prepared on a consistent basis and that the group account itself has been prepared on a consistent basis;

- Ensure that the Authority's annual (and interim) accounts are submitted to the Department in accordance with the timetable specified by the Department and, specifically, that the Authority will submit both unaudited and audited accounts to the department when specified and send the accounts to the C&AG as soon as reasonably practicable after the end of the financial year;
- Ensure that the Authority provides such additional financial and non-financial information to the department as may be required by the Department to support the production of its annual resource account or any report attached to that account, or to support the audit of that account by the C&AG, or otherwise to support the Secretary of State in the exercise of his functions;
- Ensure that the Authority participates in agreement of balances exercises throughout each financial year as specified by the Department, keeping, as far as it is possible to do so, the level of its disputed income and expenditure and disputed payables and receivables transactions, both with bodies within the Department's resource accounting boundary and with other government bodies (for the purposes of WGA), within the materiality levels specified by the Department;
- Ensure that, if HM Treasury requires the Department to prepare interim accounts, that is, accounts for any period other than a financial year, the Authority will also prepare interim accounts in the form specified by the Secretary of State, and submit these to the C&AG for audit, and afterwards to the Department for consolidation into the interim resource account,
- Ensure that the Authority arranges for the audit of both its annual accounts and any interim accounts to be conducted in accordance with the group audit instructions issued to the Authority's auditors either by the National Audit Office or the Department in respect of each financial year, and in compliance with International Standards on Auditing (UK and Ireland).

14. In issuing group accounting instructions (directions) to the Authority, the Department will specify:

- The form of the Authority's annual accounts (and any interim accounts that it is required to prepare);
- The PAO will also put arrangements in place to ensure that the Authority collects any additional financial and non-financial information that may from time to time be required for the purposes of complying with Parliamentary, HM Treasury or Cabinet Office controls or requests for data, or otherwise to support the Secretary of State in the exercise of his functions in respect of the Department, its arm's length bodies and the NHS.

Responsibilities of the Authority's accounting officer to the Department in relation to annual accounts

15. Consistent with the principles of *Managing Public Money*, the Chief Executive of the Authority in his capacity as the accounting officer for that organisation, must ensure that arrangements are in place to:

- Prepare the organisation's accounts and keep proper records in relation to the accounts, and to make those records available for scrutiny by the C&AG (acting as either the auditor of the Authority or when he seeks to take assurance from these accounts in his capacity as the group auditor of the Department's resource account or annual WGA contribution).
- Prepare annual accounts according to the form, content, method and principles specified by the Department in its group accounting instructions. This will ensure that the Authority's accounts are prepared in a way that is consistent with the accounting rules set out in the FReM. It will also make them consistent with the accounts of other bodies within the Department's resource accounting boundary that are consolidated into both the resource account and the annual contribution to the WGA.
- Prepare, if required by the Department, interim accounts (according to the form, content, methods and principles specified by the Department) for any period or periods other than a financial year. For the Department to complete a consolidated interim account, it will also be necessary for all bodies inside the Department's resource accounting boundary to prepare interim accounts, to have those accounts audited by the C&AG and to submit those interim accounts to the Department for the purposes of consolidation.
- Submit its annual accounts (and, if required by the Secretary of State, any interim account) to the C&AG for audit as soon as reasonably practicable after the year end (or, in the case of any interim account, as soon as reasonably practicable after the end of the interim period to which that interim account relates), and to the Department for the purposes of consolidation into the annual resource account and WGA, within the timetable specified by the Department. To support pre-recess delivery of the Department's accounts, the Authority will also be required to submit unaudited (draft) accounts to the Secretary of State in accordance with the overall resource account timetable set by the Department.
- Ensure that the Authority's accounts, and any report prepared by the C&AG in relation to those accounts, are laid before Parliament within the timetable specified.
- Ensure that the Authority provides other additional financial and non-financial information to the Department in order to support the Secretary of State in the exercise of his functions. For example, this requirement could relate to quantitative or qualitative information (other than accounting data) that is required by the Department for the purposes of preparing its annual report to the resource account or to be included in any of the disclosure notes to that account (such as staff numbers or sustainability data). It could also relate to information

needed by the Department to discharge its responsibilities to report against the monetary and financial controls set by HM Treasury and Parliament, or to support the publication of public sector information under the Government's transparency agenda.

- In particular, ensure that the Authority 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 WGA, with other government bodies outside that boundary. In doing so, the Authority should seek to agree all outstanding balances but in any case should keep within any level of materiality set by the Department.

Audit

Internal audit

16. The Authority will:

- establish and maintain arrangements for internal audit in accordance with HM Treasury's Government Internal Audit Standards (GIAS)¹;
- 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 GIAS
- set up an audit committee of its Board in accordance with the Cabinet Office's guidance on public bodies² and the Audit Committee Handbook³;
- prepare an audit strategy, taking into account the Department's priorities, and forward the audit strategy, periodic audit plans and annual audit report, including the Authority's Head of Internal Audit's opinion on risk management, control and governance as soon as possible to the Department; and
- keep records of, and prepare and forward to the Department an annual report on fraud and theft suffered by the Authority and notify the Department of any unusual or major incidents as soon as possible.

17. The Department's internal audit service has a right of access to all documents prepared by the Authority's internal auditor, including where the service is contracted out.

External audit

18. The C&AG audits the Authority's annual accounts and lays them before Parliament, together with his report. In the event that the Authority has set up and controls subsidiary companies, the Authority will, in the light of the provisions in the Companies Act 2006, ensure that the C&AG is appointed

¹ http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm

² http://www.civilservice.gov.uk/wp-content/uploads/2011/09/6_accountability_tcm6-2485.pdf

³ http://www.hm-treasury.gov.uk/audit_committee_handbook.htm

auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The Authority shall discuss with the Department the procedures for appointing the C&AG as auditor of the companies.

19. The C&AG:

- will consult the Department and the Authority on whom – 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 the Authority;
- 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 the Authority;
- 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.

20. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Authority 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, the Authority 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 which are held by other bodies.

Right of access

21. The Department has the right of access to all Authority records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

Delegated authorities

22. The Authority's delegated authorities are issued to it by the Department and are summarised in the table below (figure 1).

23. The Authority, as with all public bodies and government departments, must also operate within the existing set of efficiency controls. The key controls are highlighted in the table below, alongside the current delegated limits. The full operational guidance will be provided to the Authority by the Department. The Secretary of State has approved the establishment of revised controls for the Authority, applicable specifically to and only for its

expenditure on transition activities concerned with developing itself as a new organisation, where these activities will by their very nature be critical to the success of the system-wide reforms. These controls will be communicated to the Authority.

24. Once the budget has been approved by the Department and subject to the Secretary of State's instructions and any other processes set out in this document, the Authority has authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the Authority will comply with the delegations referred to above, which cannot be altered without the prior agreement of the Department
- the Authority shall comply with *Managing Public Money* regarding novel, contentious or repercussive proposals
- 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
- the Authority is to provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.

25. The Authority must obtain the Department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Authority's annual budget 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; or
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

Figure 1

Limits and spending controls specifically assigned by the Department to the ALB accounting officer and Board ¹		
	<p>Delegated authorities to commit expenditure</p> <p>To sign contract, authorise purchase order, or otherwise commit expenditure for ²</p>	<p>Government efficiency controls</p> <p>Applicable to all ALBs' Business as Usual Activity. [Revised arrangements apply to MHRA and HPA]</p>
<p>Grants to voluntary bodies</p>	<p>Unlimited, within a budget allocated by the DH specifically for this purpose</p>	
<p>Sign contract with supplier</p> <p>(except as below)</p>	<p>Unlimited within the budget set at the start of year</p>	<p>ALBs must commit volume spend and buy from centrally sourced contracts and approved frameworks for nine common goods and services categories covered by central procurement strategies from March 2011. Nine categories are identified in the operational guidance.</p> <p>ALBs are required to participate and co-operate fully in the Business Support Services Transformation Programme and its initiatives, in order to maximise the scope for savings.</p>
<p>Contracts for professional services</p> <p>“Professional services” are defined as consultancy services i.e. an arrangement where an individual or organisation is engaged to perform a specific one off task or set of tasks involving skills or perspectives which would not normally be expected to reside within the ALB</p>	<p>Up to £250,000 per tender</p> <p>NB Over £250,000 a business case must be submitted to the DH sponsor as Ministerial approval is required</p>	<p>All ALBs are required to review all assignments falling within the Office of Government Commerce (OGC) definition of consultancy on a rolling basis every three months and submit for approval in line with the operational guidance. All consultancy spend approved under £20,000 in value must be reported on a monthly basis to Ministers, Treasury Spending Team and OGC. ALBs are encouraged to take a systematic approach and prepare overarching business cases where a number of individuals or companies will be working on one common project or programme of work.</p> <p>The Government has announced a freeze on all new advertising and marketing spend. Only essential expenditure on new advertising and marketing is allowed. ALBs have delegated authority up to £40,000. For activity costing below £100,000, ALBs must work with DH Communications Directorate. ERG approval is required for spending over £100,000</p>
<p>Single tender contracts for personal services</p>	<p>£50,000, subject to EU procurement requirements.</p>	
<p>Single tender contracts for other expenditure</p>	<p>Unlimited subject to EU procurement requirements</p>	

<p>Capital investment</p> <p>(includes any revenue costs, e.g. leases). All subject to business case guidance for ALBs, issued by Capital Investment Branch (CIB)</p>	<p><£1m whole life costs ³</p> <p>£1m - £5m whole life costs approval required from DH sponsor ⁴</p> <p>>£5m whole life costs, approval required from DH sponsor and CIB ⁵</p>	<p>Spending on new Information and Communications Technology (ICT) contracts with a lifetime value above £5m, and specifically any ICT spend over £1m on systems that support administration, are subject to ERG approval.</p> <p>Spending on new ICT contracts with a lifetime value above £5m, and specifically any ICT spend over £1m on systems that support administration are subject to ERG approval.</p> <p>There is a freeze on signing any new property leases or lease extensions over £100,000 unless they are approved by the Efficiency and Reform Group and HM Treasury. All property events need to be approved by the DH Property Asset Management Board, regardless of cost.</p>
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Limits and spending controls specifically assigned by the Department to the ALB accounting officer ¹		
	Delegated authorities to commit expenditure	Government efficiency controls
Commit to purchase under existing contract	Unlimited within the budget set at the start of year	Applicable to all ALBs' Business as Usual Activity. [Revised arrangements apply to MHRA and HPA]
Reimbursement of business expenses	Unlimited	
Items to be purchased as gifts	Token/protocol gifts only	
Give guarantees, accept liabilities	In the course of normal business: unlimited	
Staff recruitment	Unlimited	<p>ALB Chief Executives have delegated authority to approve recruitment to frontline posts or business critical posts. New ALBs are required to complete a baseline return to enable DH to validate assessments.</p> <p>ALBs have authority to spend up to £40,000 on any single recruitment advertising activity needed to appoint to front line or business critical posts.</p>
Staff pay: pay systems, use of pay flexibilities and annual settlements	Unlimited within Treasury and Cabinet Office pay remit procedures and guidance	Any post with a salary in excess of £142,500 will require sign off by the Chief Secretary to the Treasury prior to going to advertising. Approval is also required when an employment contract is issued, renewed or an individual earning in excess of £142,500 moves to a new post.
Staff redundancy	Unlimited – subject to procedures and limits placed by DH Governance Assurance Committee (GAC). For limits see Appendix 4 of the Delegated Authorities.	

- 1 Any areas of novel, contentious and repercussive spend require HM Treasury approval. This includes advance payments.
- 2 All policies which commit expenditure of over £40 million per annum, or £200 million over five years, should be subject to an independent review of the financial cost estimates by the Revenue Investment Branch (RIB). Policies that require HM Treasury approval must also be subject to a RIB review prior to submission to HM Treasury.
- 3 All accommodation business cases should be referred to DH/ALB Property Asset Management Board (PAMB) for information only.
- 4 All accommodation business cases also require PAMB approval
- 5 All accommodation business cases also require PAMB approval

Other delegations		
		Accounting officer and Board
LOSSES	Delegation Group 1 – Managing Public Money (annex 4.10)	£75,000 (subject to guidance in Appendix 4 of Delegated Authorities)
	Delegation Group 2 – Managing Public Money (annex 4.10)	£50,000 (subject to guidance in Appendix 4 of Delegated Authorities)
SPECIAL PAYMENTS Authorisation of payments without normal prior commitment of the expenditure, and/or certification of receipt of goods/services Subject to Managing Public Money and guidance set out in Appendix 4 of the delegated authorities.	Ex gratia payments including compensation payments, extra statutory and extra regulatory payments and extra contractual payments to contractors	£20,000 (excluding payments that are novel, contentious, repercussive or special severance payments)
	Prepayments Arising in the normal course of business and subject to Managing Public Money (annex 4.6)	Unlimited

Other delegations		
		Accounting officer and Board
ASSET DISPOSAL	Dispose of assets including formal write-off value	£500,000
LOANS and IMPRESTS	Imprest to staff in advance of travel expenses	£50,000
	Loans to staff for specified purposes ¹	£50,000
	Other loans	£50,000
INCOME Subject to Managing Public Money (annex 5.3)	Commit to contract (or tender) to provide goods or services to non-DH organisations	Unlimited – subject to agreement from sponsor team within DH

¹ The specified purposes are: for house purchase, for season ticket purchase, and for bicycle purchase