Department of Health

NICE National Institute for Health and Care Excellence

Framework Agreement between the Department of Health and the National Institute for Health and Care Excellence

Annex B: Finance and accounting responsibilities

Finance and Accounting Responsibilities

1. The Framework Agreement sets out the governance and accountability arrangements between the Department of Health and NICE. This annex provides additional detail on the finance and accounting arrangements which complements the Framework Agreement itself.

Annual Expenditure Limits

2. The Department will issue NICE with grant-in-aid funding on behalf of the Secretary of State in line with the prevailing annual business planning process (see para 9.2 of the Framework Agreement). NICE's grant-in-aid funding will be set out annually in writing. As Accounting Officer, the Chief Executive must ensure that, in any financial year, NICE'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.

3. The Accounting Officer must also ensure that:

   - NICE's total spending on administration in any financial year does not exceed the overall admin control limit for NICE; and that
   - in any given year the cash usage of NICE does not exceed the cash limit (allotment) for NICE.

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

Business Planning

5. The NICE business plan will need to identify detailed revenue, capital and cash forecasts for grant-in-aid funded activity, and also 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.

Accounts

6. Paragraph 6.1 of the Framework Agreement sets out the expectation, arising from Secretary of State's powers under the Health and Social Care Act 2012, that the Department will routinely have full access to NICE's information and files. In relation to financial reporting, the Department is required by HM Treasury 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. NICE is required to 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.

7. NICE must prepare annual accounts for each financial year ending 31 March, and interim accounts for shorter periods if required. In relation to these accounts, NICE must:

- 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 these accounts (both unaudited and audited) to the Department by a date to be specified by the Secretary of State; and
- submit these accounts 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).

8. NICE must publish an annual report of its activities together with its audited accounts after the end of each financial year. 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 signed by NICE's Accounting Officer. The report and accounts are laid before Parliament by NICE. Both are made available on NICE'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.

9. The Accounting Officer must also ensure that NICE 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, NICE should seek to agree all outstanding balances but in any case should keep within any level of materiality set by the Department.

Audit

10. Section 8 of the Framework Agreement sets out the high level requirements for audit.

11. To meet the requirements for internal audit, NICE must:

- 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 NICE's Head of Internal Audit's opinion on risk management, control and governance as soon as possible to the Department; and

- keep records of theft suffered by NICE and notify the Department of any unusual or major incidents as soon as possible including fraud issues.

12. The Department is committed to the development of a group assurance model for DH and its arm's length bodies. In principle, therefore, NICE's internal audit provision will be delivered as part of a shared service once the contract period for its initial provider has expired. NICE will engage with the Department in the development of the group assurance model.

13. The Department's group internal audit service has a right of access to all documents prepared by NICE's internal auditor, including where the service is currently contracted out. It will also have a right of access to all previous audit documentation.

14. For external audit, the C&AG audits NICE's annual accounts. In the event that NICE has set up and controls subsidiary companies, NICE 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. NICE shall discuss with the Department the procedures for appointing the C&AG as auditor of the companies.

15. The C&AG:

- will consult the Department and NICE 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 NICE;
- 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 NICE; 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.

16. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which NICE 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, NICE 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.

Delegated Authorities

17. Paragraph 9.4 of the Framework Agreement requires NICE to abide by any relevant cross-Government efficiency controls. The Secretary of State has approved the establishment of revised controls for NICE, 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 NICE.

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

- NICE 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.

19. NICE must obtain the Department's prior written approval before entering into any undertaking to incur expenditure outside its delegations or not provided for in its business plan as approved by the Department. In addition, the Department's prior written approval is required when:

- 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***.

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