Department for Culture, Media and Sport (DCMS)

and

Phone-paid Services Authority
(PSA)

Framework Document

April 2017

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1. **Framework Document Introduction**

1.1. This Document sets out the broad framework within which PSA operates as an Arms-Length Body (ALB) of DCMS.

1.2. The Document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and PSA with copies placed in the Libraries of both Houses of Parliament and available to members of the public via the DCMS and PSA websites.

1.3. This Document does not prevent PSA from carrying out its regulatory functions and fiduciary duties, or otherwise affect the exercise of its regulatory powers.

1.4. If, in practice, any of the provisions contained in this Framework Document or related documents should be found by PSA to constrain it in the independent discharge or application of its regulatory functions or powers, or restrict the ability of its Directors to comply with Company law, the latter shall prevail and PSA and DCMS will review the relevant provisions as soon as is reasonably practical to seek to address any issues arising.

2. Governance and accountability

PSA

2.1. PSA is a not-for-profit limited company, established with the object (among others) of "the protection of the public to supervise the content of promotional material for and other matters relating to premium rate telephone service".

2.2. Directors of the company are appointed by the Board, and are subject to the duties set out in the PSA Handbook and Code of Conduct for Board Members. Length of service is restricted to a maximum of 6 years over 2 terms (3 in the first term and up to a maximum of 3 in the second term).

2.3. Apart from a minority of members who are appointed on the basis of their contemporary industry knowledge, no member of the Board may have any commercial interest in the premium rate sector.

PSA and Ofcom

2.4. Section 121 of the Communications Act 2003 ("the Act") provides the Office of Communications (Ofcom) with the power to approve a Code of Practice for the purposes of regulating premium rate telephone services (PRS). Ofcom have elected to use this power to meet its statutory responsibilities, and have approved the PSA Code of Practice (currently in its 14th edition as approved in July 2016). PSA is therefore the regulatory authority with day to day responsibility for regulating premium rate services (PRS), and regulates through applying and enforcing its Code of Practice.

2.5. Ofcom retain the right to withdraw approval for the PSA Code of Practice at any time, whether for the purposes of approving a separate organisation's Code of Practice or fulfilling its statutory responsibilities for PRS in-house.

2.6. Certain providers of PRS are obliged, pursuant to the Condition set by Ofcom under the Act and Section 120(3)(a) of the Act, to comply with provisions of the Code and directions given by PSA in accordance with the Code for the purpose of enforcing its provisions.

2.7. The Condition set by Ofcom applies to controlled premium rate services ("CPRS"), the definition of which is a subset of the definition of PRS contained in the Act. Insofar as the particular PRS is not within the definition of CPRS, the PSA Code of Practice applies to it but compliance is voluntary.

2.8. PSA's relationship with Ofcom is set out in an agreed Memorandum of Understanding, under which both parties acknowledge that it is for PSA alone to exercise its regulatory, governance and operational functions in respect of the application and enforcement of the Code of Practice and in accordance with its own Articles of Association. In doing so, PSA is subject to the relevant provisions of the Act. Ofcom's powers are limited as set out in the Act and, in particular, it has no role in PSA's application and enforcement of the Code of Practice (save where PSA refers to Ofcom a person's failure to comply with a direction PSA has issued).

PSA and DCMS

2.9. PSA is classified by the Office for National Statistics as a Central Government body. While this classification remains in place, PSA shall be an Arms-Length Body of DCMS on the basis that PSA is independent of Ofcom and its finances and other matters are not consolidated into those of Ofcom.

2.10. PSA is funded by fees and charges from industry for regulating PRS. It does not receive Grant-in-Aid from the UK Government (DCMS or otherwise).

2.11. PSA shall manage its affairs, having regard

2.11.1. to such general guidance concerning the management of the affairs of public bodies as PSA consider appropriate; and

2.11.2. Subject to any such guidance and only to the extent that they may reasonably be regarded as applicable in relation to a statutory corporation, to generally accepted principles of good corporate governance.

2.12. PSA will have regard to the standards, rules, guidance and advice in Managing Public Money to the extent that they are relevant to it and appropriate.

2.13. The Department expects PSA to follow the standards, rules, guidance and advice in Managing Public Money to the extent that they are relevant and appropriate for PSA. There will always be instances where it is not appropriate for a specific body to follow general guidance. PSA recognises that DCMS, as its sponsor department, has a legitimate interest in understanding which elements of that guidance are not relevant or appropriate for PSA to follow and, in its judgement as an Independent body, it believes the public interest is best served by taking a different approach. As such PSA agrees to notify DCMS where such instances arise.

2.14. The PSA Board delegates the day to day running of the organisation to the Chief Executive and such other executive members and employees of PSA as it may determine from time to time. The Chief Executive and other executive members answer to the PSA Board on the running of PSA and the performance of its regulatory functions and duties. The Chief Executive also fulfils the function of PSA's Accounting Officer, as set out in paragraphs 2.18 - 2.21 below.

Responsibilities of DCMS Accounting Officer

2.15. The Permanent Secretary is the Accounting Officer for DCMS. PSA will provide such information and assistance as the Permanent Secretary may reasonably require in relation to the financial and management controls that PSA has in place to ensure the proper performance of its duties, appropriate assessment of risk, and the escalation of concerns to the PSA Board as appropriate.

2.16. A senior sponsor for PSA will be appointed within DCMS to:

- act as the senior point of liaison between PSA and DCMS and inform PSA of government policy in a timely manner;
- support the DCMS's Accounting Officer in the discharge of his/her responsibilities;

- work collaboratively with PSA's Chief Executive to facilitate the smooth operation of this Document, including ensuring that PSA is free to exercise its statutory functions independently;
- oversee a reciprocal 'no surprises' agreement between PSA and Government ensuring that where reasonably possible each organisation is notified of relevant external communications in a timely manner.

Responsibilities of PSA's Chair

2.17. The Chair of PSA leads the PSA Board. The PSA Board is the main decision-making body of the organisation, with responsibility for ensuring that PSA acts in accordance with its regulatory and fiduciary duties. [As described at paragraph 2.14, the PSA Board delegates the day-to-day running of the organisation to the Chief Executive, other executive members of the PSA Board, and other employees of PSA.]

Responsibilities of PSA's Accounting Officer

2.18. PSA's Accounting Officer will normally be the Executive Member of PSA. The Executive Member is appointed Accounting Officer by DCMS Permanent Secretary and is responsible for accounting to Parliament, to the PSA Board and its other stakeholders for stewardship of its resources and the management of PSA to ensure it operates effectively and to a high standard of probity.

2.19. PSA's Accounting Officer should ensure that PSA meets appropriate standards in terms of governance, decision-making and financial management and should take account of statutory provisions intended to safeguard independence. As set out in paragraph 2.13 above, the Department expects PSA's Accounting Officer to follow the standards, rules, guidance and advice in Managing Public Money to the extent that they are relevant and appropriate for PSA, notifying DCMS if there are instances where he or she believes the public interest is best served by taking a different approach. In particular, PSA's Accounting Officer shall:

- ensure that, in respect of its financial responsibilities, PSA operates within the terms of this Document;
- ensure PSA's expenditure is controlled so that value for money is achieved through the economical, efficient and effective use of PSA's resources, and that all systems necessary to achieve this are in place;
- ensure PSA's financial and other management controls conform with the requirements of regularity, propriety and good financial management and include effective measures against fraud and theft;
- ensure an effective system of risk management is in place in accordance with corporate governance best practice;
- ensure that proper records are kept and that the Financial Statements are properly prepared and presented in accordance with accounting standards and Company law;
- ensure that effective procedures for handling complaints brought against PSA are established and made widely known within the body; and give evidence when summoned before the Public Accounts Committee and Select Committees as appropriate.

2.20. If the PSA Board, or its Chairman, is contemplating a course of action involving a transaction which PSA's Accounting Officer considers would infringe the

requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical, PSA's Accounting Officer should advise the PSA Board accordingly. If that advice is overruled, PSA's Accounting Officer should make his or her reservations clear, preferably in writing. If the PSA Board decides nevertheless to proceed, PSA's Accounting Officer should seek a written instruction from the PSA Board to comply with it, and also inform DCMS and communicate all papers to the Comptroller and Auditor General as PSA's external auditors without delay.

2.21. PSA's Accounting Officer is responsible for ensuring that appropriate banking arrangements for control of its working balances and its transmission of funds are in place. Such banking arrangements shall:
- be carried out efficiently, economically and effectively; and
- be kept separate and distinct from the banking arrangements of any other person or organisation.

Duties of the PSA Board

2.22. The PSA Board provides strategic direction for PSA. The PSA Board meets regularly, and its minutes are published on the PSA website.

2.23. The PSA Board has oversight over the fulfilment of PSA's general duties and specific statutory responsibilities as well as its adherence to the ethos of a public service organisation and its duties in relation to equality as a public body. The PSA Board also has oversight of PSA's overall funding and expenditure.

2.24. The PSA Board has agreed that certain matters are reserved to the PSA Board and/or its appointed Committees. These currently include, but are not limited to, the following:
- approval of PSA's annual budget (final approval resting with Ofcom), financial policy and the delegation of financial authorities from the PSA Board to individuals within PSA (PSA's Delegation Scheme);
- approval of PSA's annual Financial Statements;
- approval of any contract values above an agreed threshold as set out in the PSA Financial Authorities Framework (noting that lower value contracts are also approved in accordance with PSA's Delegation Scheme);
- approval of PSA's annual plan, long term objectives and strategic policy framework (with agreed oversight by Ofcom);
- definition of PSA's risk appetite;
- decisions on major changes to the structure of PSA;
- determination of the location and nature of PSA's offices;
- undertaking a formal, regular review of the PSA Board's own performance and that of PSA Board Committees;
- ensuring maintenance of a sound system of internal control and risk management;
- appointment of the Chief Executive and approval of the terms and conditions of service of the Chief Executive together with the appointments of executive Board members (final approval resting with Ofcom);
- monitoring and approving the on-going appropriateness of PSA's remuneration policies;

- reviewing PSA's overall corporate governance arrangements and the findings of any internal audit activity.

2.25. The PSA Board has discretion to revise these as it thinks appropriate from time to time. In the event that significant revisions are to be made, prior to making these changes PSA will consult with the Department given the Permanent Secretary's responsibility as Principal Accounting Officer.

2.26. The PSA Board has set up an Audit, Risk and Corporate Governance Committee chaired by a non-executive member of the PSA Board. The Audit, Risk and Corporate Governance Committee supports the PSA Board and PSA's Accounting Officer by providing independent advice and assurance on risk management, governance and internal control. Where appropriate, the Audit, Risk and Corporate Governance Committee will refer to the Cabinet Office's Guidance on Code of Practice for Public Bodies and the HM Treasury Audit Committee Handbook for guidance in respect of the functions of an audit committee of a public body.

2.27. The PSA Board has set up a Resources Committee, chaired by a non-executive member of the PSA Board, with oversight over all matters relating to how PSA is resourced, including finance and staff. It approves PSA's overall remuneration approach and policy.

2.28. The Chairman of the PSA Board has an obligation to ensure that:

- the PSA Board and its members are reviewed and are working effectively;
- the PSA Board has a balance of skills appropriate to directing PSA's business;
- PSA Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- there is a code of conduct for PSA Board members in place, and due regard for guidance provided by the Cabinet Office Code of Conduct for Board Members of Public Bodies.

2.29. Individual PSA Board members should:

- comply at all times with the PSA Board Members' Handbook and Code of Conduct and with the policy on conflicts of interest and the acceptance of gifts and hospitality;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests of those of connected persons or organisations; and
- act in good faith and in the best interests of PSA.

3. Auditing

Internal Audit

3.1. The Department expects PSA to follow the standards, rules and guidance in the Treasury's Public Sector Internal Audit Standards (PSIAS) to the extent that it is relevant and appropriate for PSA. There will always be instances where it is not appropriate for a specific body to follow general guidance. PSA recognises that DCMS, as its sponsor department, has a legitimate interest in understanding which elements of that guidance are not relevant or appropriate for PSA to follow and, in its judgement as an independent body, it believes the public interest is best served by taking a different approach. As such PSA agrees to notify DCMS where any such instance arises.

3.2. As set out in 2.26 above, PSA manages its internal audit responsibilities through its Audit, Risk and Corporate Governance Committee.

External Audit

3.3. Where PSA has been included in a Government Resources and Accounts (GRAA) order, the Comptroller & Auditor General (C&AG) is responsible for the audit of PSA's Financial Statements.

3.4. PSA:

- can consult with C&AG d on the composition of the audit team that shall undertake the audit work on behalf of the C&AG should it wish to do so. At the C&AG's discretion this may include commercial auditors;
- will give right of access to relevant documents, including those held by another party;
- will expect C&AG to provide information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. The PSA will share this information with DCMS);
- agrees that , where asked, C&AG will provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

3.5. In addition, PSA shall provide, in conditions to contracts, for the C&AG to exercise such access to documents held by contractors and sub-contractors as may be required for these examinations; and shall 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.

3.6. Where PSA is not included in a GRAA order, it will provide a full version of its external audit report to DCMS Finance as soon as possible after the Accounts are certified.

3.7. In the event that PSA has set up and controls subsidiary companies, PSA will liaise with DCMS in relation to the following matters:

- the designation of the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a GRAA Order, which will make (or will

have made) the C&AG its statutory auditor;

- where HM Treasury has determined that the company is non-profit making, the company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

4. Funding Arrangements and Financial Operations

Business Planning and Budget

4.1. In order to operate its business effectively, PSA should produce appropriate management planning information in respect of future periods. These may take the form of strategic or corporate plans, and should include a Business Plan and Budget for the forthcoming financial year. PSA's Business Plan sets out PSA's strategic purposes, its proposed priorities and work programme for the coming year. The Business Plan and Budget is published in draft for consultation with stakeholders before being finalised and is publicly available.

4.2. Under the MoU in place with Ofcom, the Budget is subject to approval by Ofcom, such that it satisfies itself that sufficient resources are available to enable PSA to meet its statutory responsibilities.

4.3. PSA's funding model (as described in 2.10) is set out in its Code of Practice (and is therefore approved by Ofcom).

Financial information to DCMS

4.4. PSA will provide DCMS with timely and accurate financial information, subject to PSA's operational requirements as an independent private limited company subject to Company law. This information will include:

- annual completion of the year end accounting "C-Pack";
- resource, depreciation and capital expenditure forecasts;
- accounting adjustments such as movements in provisions or any Prior Period Adjustments;
- ad hoc financial information as requested, where this reasonable for PSA to adhere to within resources available, and/or where such a request is relevant to the rest of this document.

Procurement

4.5. PSA procures in accordance with all applicable UK and EU law and ensures value for money is achieved whilst minimising commercial and legal risk. This is underpinned by clear and robust procurement processes. PSA shall ensure good procurement practice using fair and open procurement processes and having regard to relevant aspects of best practice and Treasury guidance as relevant and appropriate. PSA will notify DCMS of any departure from this approach.

Risk management

4.6. PSA shall take appropriate action to secure that it has good quality internal governance and sound financial management. Appropriate delegation of responsibilities and effective mechanisms for internal reporting are intended to ensure that performance can be kept on track. PSA should follow good practice in procuring and managing resources and assets; hiring and managing staff; and deterring waste, fraud and other malpractice.

4.7. PSA shall ensure that the risks that it faces are dealt with in an appropriate manner, and in accordance with its risk management strategy, having regard to relevant aspects of best practice in corporate governance. PSA should adopt policies and practices to safeguard itself against fraud and theft, having regard to the relevant

Treasury guidance as relevant and appropriate, and take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

4.8. There may be instances where it is not appropriate for PSA to follow general guidance. PSA recognises that DCMS, as its sponsor department, has a legitimate interest in understanding which elements of that guidance are not relevant or appropriate for PSA to follow and, if in its judgement as an independent body, it believes the public interest is best served by taking a different approach. Where any such instance arises PSA agrees to consult the Department and agree the approach to be taken.

Reporting performance

4.9. PSA shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against its budgets and targets in a format that is most appropriate.

4.10. PSA shall consult with DCMS when considering whether to write off any operating debt (i.e. excluding debt arising from adjudications) of £20,000 or more or any debt write-off that which might be of wider interest or are novel, contentious or repercussive as defined in Managing Public Money.

4.11. With regard to debt arising from adjudications, PSA shall operate through its Resources Committee (as described in 2.27) robust controls over the process of writing-off bad debts. This should be done for individual cases after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery, and should be satisfied that there is no feasible alternative.

5. Staff

5.1. PSA is responsible for the recruitment, retention and the terms and conditions of its staff including the provision of pension arrangements. PSA will notify DCMS of any material change in good time to enable DCMS to determine what effect, if any, a change has on the government's central reporting and other requirements.

5.2. PSA shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices.

6. Arrangements in the event that PSA is wound up

6.1. PSA shall put in place arrangements to ensure that, if it is ever wound up, this shall be done in an orderly manner. In particular as a private limited company PSA should ensure that in the event of this, it adheres to the winding-up provisions set out in its Memorandum and Articles of Association and in accordance with the law. To this end, PSA will arrange its finances such that accumulated reserves (retained surplus) are maintained to cover all costs associated with its potential risks, including any and all associated with winding up.

6.2. PSA shall ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits.

Signed by / on behalf of:

The Secretary of State for Culture, Media and Sport

Chairman of PSA:

Accounting Officer of PSA:

Date: 26/7/2017