


<b>MEETING DATE:</b>	8 October 2015	 <b>North Lincolnshire</b> <b>Clinical Commissioning Group</b>  <b>REPORT TO THE</b> <b>CLINICAL COMMISSIONING GROUP</b> <b>GOVERNING BODY</b>
<b>AGENDA ITEM NUMBER:</b>	Item 7.5	
<b>AUTHOR:</b>	Therese Paskell	
<b>JOB TITLE:</b> <b>DEPARTMENT:</b>	Chief Finance Officer & Business Support	

## FINANCIAL CONTROL ENVIRONMENT ASSESSMENT

<b>PURPOSE/ACTION REQUIRED:</b>	To review and approve
<b>CONSULTATION AND/OR INVOLVEMENT PROCESS:</b>	Discussion with auditors and other neighbouring CCGs Audit Group reviewed at its August meeting before a draft was submitted to NHS England
<b>FREEDOM OF INFORMATION:</b>	<b>Public</b>

<b>1. PURPOSE OF THE REPORT:</b>					
To advise the Governing Body of the new requirements to be built into the NHSE assurance processes and to review and approve the self-assessment prior to final submission to NHSE; agreeing any remedial actions required.					
<b>2. STRATEGIC OBJECTIVES SUPPORTED BY THIS REPORT:</b>					
Indirectly all of those below via accurate reporting and value for money					
<b>Continue to improve the quality of services</b>	<input type="checkbox"/>				
<b>Reduce unwarranted variations in services</b>	<input type="checkbox"/>				
<b>Deliver the best outcomes for every patient</b>	<input type="checkbox"/>				
<b>Improve patient experience</b>	<input type="checkbox"/>				
<b>Reduce the inequalities gap in North Lincolnshire</b>	<input type="checkbox"/>				
<b>3. ASSURANCES TO THE CLINICAL COMMISSIONING GROUP</b>					
This provides additional internal assurance around financial management controls and processes in one document and semi-independent from the Audit Group review. This self-assessment has been benchmarked against those other CCGs in Y& the Humber. This will form part of NHSE assurance process.					
<b>4. IMPACT ON RISK ASSURANCE FRAMEWORK:</b>					
<table border="1" style="display: inline-table;"> <tr> <td style="padding: 2px;">Yes</td> <td style="padding: 2px; text-align: center;">X</td> <td style="padding: 2px;">No</td> <td style="width: 20px;"></td> </tr> </table>		Yes	X	No	
Yes	X	No			
To be added to assurance mapping and for BAF/risk register to be reviewed in the light of this document					

<b>5. IMPACT ON THE ENVIRONMENT – SUSTAINABILITY:</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes		No	X
<b>6. LEGAL IMPLICATIONS:</b>				
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes		No	X
<b>7. RESOURCE IMPLICATIONS:</b>				
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	x	No	
Provides some assurances around the use of resources and processes but requires action around QIPP and future years savings plans for HLHF to close the financial gap in next year and beyond.				
<b>8. EQUALITY IMPACT ASSESSMENT:</b>				
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes		No	X
This is not a plan/policy/procedure				
<b>9. PROPOSED PUBLIC &amp; PATIENT INVOLVEMENT AND COMMUNICATIONS:</b>				
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	x	No	X
Will form part of CCGs assurance process with NHSE which may be published at summary level later in the year Governing Body paper in public				
<b>10. RECOMMENDATIONS:</b>				
The Governing Body is asked to:				
<ul style="list-style-type: none"> <li>• Review the assessment to ensure it provides an accurate and rounded view</li> <li>• Approve the assessment and provide any changes/additional comments</li> <li>• Agree further action that needs to be taken in weaker areas and timescales</li> </ul>				

Paul Baumann  
Chief Financial Officer  
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17 July 2015

## **To CCG Audit Chairs, Accountable Officers and Chief Finance Officers**

### **Financial Control Environment Assessment**

I am writing to advise you of an initiative that we are launching across the commissioning system to help us in delivering one of our key priorities for the NHS in 2015/16 – to achieve financial resilience and sustainability. A financial resilience toolkit will be rolled out during the summer and autumn, with the aim of supporting commissioners to secure robust financial delivery in a year of significant challenge. Building on learnings from a number of recent financial failures in the commissioning system, the toolkit will focus on four areas – prevention, early warning, financial recovery, and a menu of supporting tools.

A key element of the prevention module is an assessment of the financial governance and control environment of each CCG, and it is this in particular that I am writing to you about today.

As you will know, the NHS is facing a very challenging financial year in 2015/16, one of the toughest yet. Although we achieved financial balance across the commissioning system in 2014/15, this was in no small part because of one-off benefits and reactive interventions at a local and national level. Had we been unable to deploy such mitigations then CCGs in aggregate would have finished the year with a significant deficit. In setting balanced plans for 2015/16 we have already made use of a number of the mitigations deployed in the latter stages of 2014/15.

A significant contributory factor to the financial position last year was a small number of CCGs that deteriorated materially from plan, thereby threatening the overall financial position of the commissioning system. The ten largest deteriorations from plan amounted to £132m. This level of deterioration will simply be unaffordable in 2015/16, and we need to work together to prevent this happening, to detect earlier where pressures are building, and to design and implement recovery plans at pace where necessary.

A review of five of the CCGs with the worst financial performance in 2014/15 highlighted a common issue among them – weak financial governance. I am therefore asking all CCGs to conduct a rapid review of their financial stewardship arrangements to help assess whether they may be vulnerable to unexpected financial deterioration and to identify development needs. As part of the review I

would ask that remedial actions are agreed with support from local NHSE offices where appropriate.

To support this process, I enclose a self-assessment checklist. I would be grateful if you would complete this and review it in your Audit Committee and Governing Body. You may also find it helpful to discuss the assessment with your internal auditors. Please forward a copy of your completed checklist to NHS England by the end of August (in draft with a final version to follow if it is not possible to complete the Audit Committee review by then). We are developing a separate checklist based on the CCG version for use by NHS England direct commissioning.

The checklist asks each organisation to evaluate the strength of its financial governance and controls over a range of key areas. The checklist outlines for each area the level of governance and control on a scale from 'excellent' to 'improvement needed'. The descriptions for 'improvement needed' are specifically based on recent observations of organisations in financial distress. This is not expected to be a tick-box exercise, and should be used to provide an overall sense of the organisation's standing against each indicator for the organisation's own benefit. The checklist is designed to be aligned with the finance elements of the 2015/16 CCG Assurance framework and should inform the assurance process. CCGs are asked to make an honest assessment of their current state, and organisations will doubtless wish to address any areas identified as needing improvement as quickly as possible. We will also develop a feedback process that will enable CCGs to compare their own assessment with the national picture.

A brief completion guide and FAQ are provided with the checklist.

Regional offices and DCOs will be supporting the completion process and will be in touch with you shortly. The checklist has been designed as a self-assessment tool, though in some cases it may be more appropriate for the CCG and the regional office to complete the document together.

I would like to thank you in advance for engaging with this process, which I think will play a vital part in ensuring we maintain financial balance in this most challenging of years.

Yours sincerely

Paul Baumann  
Chief Financial Officer

Ed Smith, CBE, FCA, CPFA, Hon DUniv,  
Hon LLDs  
Chair of the Audit Committee

## Financial Control Environment Assessment

CCG name	NHS NORTH LINCOLNSHIRE CCG
Prepared by	Therese Paskell
Approved by	Allison Cooke
Date approved	20th August

Choose from drop down



	Area of consideration	Sub-area	Excellent	Good	Moderate	Improvement needed	Self-assessment	Key reasons for categorisation of assessment	Actions to address issues identified	Timing for completion of actions
Financial performance	1	Longer term planning	Medium term financial strategy, well developed, consistent with and sufficient funding to deliver commissioning strategy. Meets business rules and sustainable. Adequate contingencies and reserves to respond to unforeseen events. Key risks identified with clear mitigation plans. Finance actively involved in service developments, procurements and wider commissioning agenda.	Medium term financial strategy, well developed, largely consistent with sufficient funding to deliver the commissioning strategy. Meets business rules and sustainable. Contingencies and reserves identified to respond to unforeseen events. Finance consulted on service developments, procurements and other changes.	Medium term financial strategy largely consistent with commissioning strategy but needs further development and has potential funding gaps. Meets majority of business rules including surplus but some issues re sustainability. Some contingencies and reserves identified but may not be sufficient to respond to unforeseen events. Some key risks identified with mitigation plans but further work required. Limited finance input to service improvements, procurements and improvements except for immediate finance impact.	Medium term financial strategy not consistent with commissioning strategy, needs further development and shows significant funding gaps. Does not meet majority of business rules including surplus; issues re sustainability. Some contingencies and reserves identified but not deemed sufficient to respond to unforeseen events. Key risks to be identified and mitigations developed. Service developments, procurements and improvements initiated with limited or no finance input.	Moderate	Whilst finance input and relationships cross patch are good, and contingency was planned at 3% sustainability of (funding for) main acute Trust is an issue. Major strategic review Healthy Lives Healthy Futures will take several years to implement. However the CCG has an MOU and community finance/risk mgmt plan which is seen as excellent.	Lock in' in september will take stock of clinical model and identify gap for next year and potential solutions.	lock in 10th September
	2	Detailed financial planning	Planning assumptions within the guidelines set by NHS England. Plans stretching with challenging, fully identified QPPP. Comprehensive plans with responsibilities and timescales identified. Very high confidence that plan achievable with well worked contingency plans and/or reserves. Plans including QPPP are appropriately phased and reflected in budgets.	Planning assumptions within the guidelines set by NHS England. Plans stretching with challenging QPPP. Comprehensive plans with key responsibilities and timescales identified. Moderate to high confidence that plan achievable with contingency plans and/or reserves identified. Key elements of plans including QPPP are phased appropriately and reflected in budgets.	Planning assumptions largely within the guidelines set by NHS England with justified exceptions. Achievable QPPP that could be stretched further, or significant amount of unidentified QPPP. Plans with some key responsibilities and timescales identified but further work required. Moderate confidence that plan achievable with some contingency plans and/or reserves identified. Majority of plans including QPPP have phasing that reflects delivery and are reflected in budgets but some work required.	Planning assumptions significantly outside the guidelines set by NHS England. QPPP lacks ambition compared to others, and/or has significant elements under developed or unidentified. Plans require responsibilities and timescales to be identified. Low to moderate confidence that plan achievable with limited contingency plans and/or reserves identified. Major issues with phasing of plans including QPPP with phasing out of line with delivery.	Moderate	Whilst planning assumptions are within guidelines there was a stretching QPPP target which will be delivered mainly through contracts agreed. However if the underlying clinical behaviours do not change then this will create recurrent problems for next year e.g. O/P follow up ratios and unwarranted variation there has been some delay in agreeing principles with clinicians	Actions on QPPP agreed at QPPP meeting on 17th Aug. QPPP Group asked to develop contingency plans for review at next mtg. Review of pressures and flexibilities at finance and performance group 25th August. Potential gap for next year identified. CFO attending Council of members 27th August to highlight this and discuss ways they can reduce	By end August
	3	Alignment with activity and provider contracts	Plans well aligned with planned and contracted activity. Contracts signed with all main providers. Very high confidence that plans have sufficient financial resource to deliver CCG & national targets.	Plans largely aligned with planned and contracted activity but some limited gaps being resolved. Contracts signed with providers making up over 80% of expenditure. Moderate to high confidence that plans have sufficient financial resource to deliver CCG & national targets.	Plans reasonably aligned with planned and contracted activity but some significant gaps being resolved. Contracts signed with providers making up over 70% of expenditure. Moderate to high confidence that plans have sufficient financial resource to deliver CCG & national targets.	Plans only partially or not aligned with planned and contracted activity. Major gaps to be resolved. Contracts with main providers remain unsigned. Moderate to high confidence that plans have sufficient financial resource to deliver CCG & national targets.	Excellent	The MOU and all the community finance schedules plus weekly meetings with the provider have ensured are planning is well aligned, even if financially things are difficult on the patch as a whole	see above re extension to more providers/ 2 year agreement for next year and use of alliance agreement	By end March 2016
	4	In year financial performance	All business rules forecast to be delivered for full year with contingency plans and reserves available as required. QPPP plan forecast to be achieved. Year to date expenditure to be in line with plan or below with minimal offsetting across categories. Expenditure run rate forecast to be in line with plan with no signs of deterioration.	All business rules forecast to be delivered for full year with contingency plans and reserves available as required with only minor exceptions. QPPP plan forecast to be achieved. Year to date expenditure to be in line with plan or below. Expenditure run rate forecast to be in line with plan any signs of deterioration being addressed.	Business rules largely forecast to be delivered for full year with some contingency plans and reserves available - more work required to secure plan outcome. QPPP plan forecast to be over 75% achieved. Year to date expenditure to be align with plan overall but with some significant areas of overspend. Expenditure run rate forecast to be broadly in line with plan but with significant signs of deterioration that need to be addressed.	Majority of business rules forecast not to be delivered for full year. Limited or no contingency and reserves available. Low confidence that will secure plan outcome. QPPP plan forecast to be less than 75% achieved. Year to date expenditure above plan or some key areas of overspend. Expenditure run rate forecast to be higher than plan.	Moderate	Whilst business rules will be achieved, and any recurrent QPPP savings shortfall will be addressed by non recurrent schemes/reserves, the gap needs to be addressed for next year which will be more difficult. Overspend on prescribing due to Cat M cost pressures.	As above plus: Prescribing- review with NEL CCG. Review of dispensing practices. Look at incentives for next year.	By end October
	5	Consistency of reporting with ledgers and NHSE submissions	Reports reconcile to ledger with reconciling items fully documented and signed off by Chief Financial Officer. Non-ISFE submissions agree to board reports and are in compliance with NHS England guidelines including A&B.	Reports reconcile to ledger with reconciling items, documented and major items signed off by Chief Financial Officer. Non-ISFE submissions normally agree to board reports and are substantially in compliance with NHS England guidelines.	Reports don't fully reconcile to ledger with only some items documented. Evidence of sign off by Chief Financial Officer. Non-ISFE submissions don't routinely agree to board reports and are not in compliance with NHS England guidelines.	Reports don't reconcile to ledger with no evidence of sign off by Chief Financial Officer. Non-ISFE submissions don't routinely agree to board reports and are not in compliance with NHS England guidelines.	Excellent	The ledger is used to populate non ISFE return including QPPP. Info from Risk, qipp and memo I&E table on non ISFE return is included in board report.	Governing Body asked that the risks be tabulated as in previous years. QPPP group asked to document the reconciliation between ledger and internal monitoring and non ISFE return	By september
	6	Comprehensiveness and use as control mechanism	Financial reports provide detailed information of actual and budgeted spend on all areas of expenditure. Standard and customised ISFE reports used. Variances from budget and forecast return actively reviewed monthly with budget holders identifying actions to achieve agreed outcome. QPPP performance monitored at least monthly at individual initiative level with figures reconciling to I&E performance. Non-financial indicators used extensively to inform QPPP and overall financial performance.	Financial reports provide detailed information of actual and budgeted spend on key areas of expenditure. Standard and customised ISFE reports used. Variances from budget and forecast return reviewed with budget holders identifying actions to achieve agreed outcome with major areas of concern reviewed monthly. High confidence that agreed actions will resolve variances. QPPP performance monitored monthly at individual initiative level with figures reconciling to I&E performance. Non-financial indicators used to inform QPPP and overall financial performance.	Financial reports provide detailed information of actual and budgeted spend on key areas of expenditure but with some issues on timeliness or quality. Standard and customised ISFE reports used but significant use of off-ledger reporting. Variances from budget and forecast return reviewed with budget holders identifying actions to achieve agreed outcome with major areas of concern reviewed monthly with moderate confidence that the actions will resolve variances. QPPP performance monitored monthly for key individual initiatives with figures reconciling to I&E performance. All initiatives reviewed at least quarterly. Non-financial indicators used in some cases to inform QPPP and overall financial performance but with further scope.	Financial reports don't provide timely and accurate information of actual and budgeted spend on key areas of expenditure. Standard and customised ISFE reports used but extensive use of off-ledger reporting that isn't reconciled to the ledger. Variances from budget and forecast return not routinely and systematically reviewed with budget holders. Limited actions identified and agreed to achieve outcome. Low confidence that variances will be resolved or offset. QPPP performance not monitored monthly at individual initiative level. Figures don't reconcile to I&E performance. Non-financial indicators used infrequently to inform QPPP and overall financial performance.	Good	Budget meetings have a std template for discussion and notes of actions kept of Monthly budget meetings. Timing of budget holder meetings and info to them has been reviewed and improved. Forecasts are signed off with budget holders before being reviewed by finance teams and input to ledger. Monthly QPPP meeting includes Directors and project leads and uses non financial indicators also. Finance and Performance committee meets bi monthly after budget holder meetings and reviews actions taken/ follows up remedial action required, linking to contracting and performance.	To develop non financial indicators to inform overall financial performance as part of MOU for next year	By end March 2016
	7	Sufficiency of board reporting to manage overall financial position	Reporting provides very clear explanation of current and forecast position including underlying run rate, including corrective actions and full risk analysis. I&E, cash and balance sheet all covered with integration with key non-financial measures including activity. Format formally & regularly reviewed by appropriate committee.	Reporting provides good explanation of current and forecast position including corrective actions and risk analysis for key risks. I&E, cash and balance sheet all covered with integration with key non-financial measures including activity. Format reviewed by appropriate committee as need identified.	Reporting provides some explanation of current and forecast position including some corrective actions and risk analysis for key risks but reports could be better. Cash and balance sheet partially covered with limited integration with key non-financial measures including activity. Format reviewed from time to time but not approved by appropriate committee.	Reporting provides limited explanation of current and forecast position. Corrective actions and risk analysis difficult to understand and not comprehensive. Cash and balance sheet only partially covered. Very limited integration with key non-financial measures. Format not reviewed in last year.	Good	CCG engine room receives finance and contract report monthly-discussed by exception. Discussed at Governing Body (public) bi monthly. Report goes to bi-monthly Finance and Performance Committee for review of mitigations and Council of members for information who receive updates on the financial plan. Planned & actual activity by contract and mitigations are included.	To consider a lay chair for Finance and Performance Committee and rearrange to be alternate months to public gov body if Engine room agenda doesn't allow enough time	By october
8	Standing orders, SFS and delegated authorities	Standing Orders, standing financial instructions and delegated authorities regularly reviewed and approved. Clear guidance documents in place for relevant aspects such as procurement and recruitment. All staff trained on financial governance and training documented. Delegated authorities built into ISFE with complete hierarchies.	Standing Orders, standing financial instructions and delegated authorities regularly reviewed and approved. Guidance documents in place for relevant aspects such as procurement and recruitment. Key staff trained on financial governance. Delegated authorities built into ISFE with substantially complete hierarchies or key documented and approved working arrangements for exceptions.	Standing Orders, standing financial instructions and delegated authorities not reviewed and approved in the past 12 months but no timetable for future reviews. Limited or no guidance documents for relevant aspects such as procurement and recruitment. Some evidence of staff training on financial governance but more needed. Delegated authorities built into ISFE but with incomplete or out of date hierarchies. Adequate working arrangements in place but not fully documented.	Standing Orders, standing financial instructions and delegated authorities not reviewed and approved in the past 12 months. No timetable for future reviews. Limited or no guidance documents for relevant aspects such as procurement and recruitment. Limited or no staff training provided and if delivered it is on an ad hoc basis. Delegated authorities built into ISFE but with incomplete or out of date hierarchies. Working arrangements to operate ISFE inadequate and not documented.	Good	Prime financial policies (SFS/SOs) are included within CCGs constitution. Delegated authorities are reviewed and approved annually as part of budget setting process (and for key changes in personnel). Financial policies underpinning Constitution are reviewed and approved by Audit group as required. A Budget holders manual has been developed with reference to these policies and is due for issue shortly. Training is provided annually to budget holders on financial governance issues but could be improved. CSU has ledger procedures.	Delegations to be reviewed during CSU transition. Financial Policies to be amended and reviewed at November Audit Group. Budget holder manual to be issued Oct. Budget holder training to be refreshed/incorporated into transition induction process	October- March	

Financial controls & processes	9	Budget setting, monitoring and forecasting and key area cost control	Draft budgets prepared by fully trained budget holders with guidance on assumptions including growth, efficiencies and inflation provided by CFO. Budget holders take budget management responsibilities seriously. Budgets include the impact of QPP and are phased in line with activity or other primary cost driver. Reserves and contingencies transparent and phased appropriately. Budgets formally accepted by budget holders by start of financial year and any budget adjustments clearly documented and agreed. Budget virement process clear with high level sign off of major changes. All areas of expenditure budgeted at sufficiently detailed level to facilitate understanding of actual performance and enable control.	Budgets prepared by budget holders with guidance on assumptions including growth, efficiencies and inflation provided by CFO. Majority of budget holders take responsibilities seriously. Budgets including QPP phased in line with activity or primary cost driver. Reserves and contingencies transparent and phased appropriately. Budgets formally accepted by budget holders by end of April and any budget adjustments clearly documented and agreed. Budget virement process documented with clear system of sign off of major changes. Key areas of expenditure budgeted at sufficiently detailed level to facilitate understanding of actual performance and enable control.	Budgets largely prepared by budget holders with some guidance on assumptions including growth, efficiencies and inflation provided by CFO. Some budgets impacted to achieve overall surplus. Some budget holders not taking responsibilities seriously. Most expenditure and QPP budgets phased in line with activity or primary cost driver but some key lines phased in straight line. Reserves and contingencies not as transparent as they should be to the governing body. Budgets not formally accepted by budget holders and adjustments not always properly documented and agreed. Budget virement process working but without documented or appropriate sign off of changes. Key areas of expenditure budgeted at reasonably detailed level to facilitate understanding of actual performance and enable control but some evidence of off ledger record keeping.	Budgets largely prepared by finance with limited consultation with budget holders. Limited evidence of budget holders taking their responsibilities seriously. Poor or no guidance on assumptions including growth, efficiencies and inflation. Expenditure budgets not phased in line with activity or primary cost driver. Reserves and contingencies not transparent and if exist are hidden in budget lines or phasing. Budgets not formally accepted by budget holders and adjustments not documented and agreed. Budget virement process ad hoc without documented or appropriate sign off. Key areas of expenditure not budgeted at a detailed level so understanding of actual performance difficult. Substantial off-ledger record keeping.	Good	Budget holder training limited. At planning stage, budget holders asked to identify true cost pressures and QPP. Budget envelopes prepared by finance. Budget setting meetings agree budgets. Budget book pages signed by budget holder and produced by 1 April. Plan Reserves and contingencies agreed with Gov Body engine room and shared with CoM and reported within the finance report monthly. CCG engine room agree use of contingency in year. CCG budget virement policy in place but sometimes there are delays in getting signatures. Detailed budgets on ledger. Detailed patient level spreadsheets reconcile back to ledger for CHC, MH, LD and Exclusions which allow more accurate forecasting. Better use of phasing could be made on the ledger.	To improve and extend budget holder training. In-year changes to budgets to be kept on a live version of the budget book electronically.	by end April
	10	Systems of financial control	Balance sheet reviewed and signed off every month with full reconciliations especially for accruals, provisions and prepayments. Agreement of balance returns reconcile to ledger and completed on time - major differences with providers and other NHS bodies actively resolved. Supplier statements for all non-NHS providers routinely reconciled with no unresolved issues. Ledger and other systems with financial impact subject to active access and posting control in line with delegated authorities. Cash forecast and drawdown requirements signed off. Cash at bank minimised without overdrafts and no supplementary cash drawdowns.	Balance sheet reviewed every month with full reconciliations for key accounts and minimum quarterly reconciliations for remaining accounts. Agreement of balance returns reconcile to ledger and completed on time - major differences with providers and other NHS bodies actively resolved. Supplier statements for key non-NHS providers routinely reconciled and no major issues. Ledger and other systems with financial impact subject to active access and posting control in line with delegated authorities. Cash forecast and drawdown requirements signed off. Cash at bank minimised with only occasional overdraft or supplementary drawdown requests.	Balance sheet reviewed most months with full reconciliations for key accounts and minimum quarterly reconciliations for remaining accounts. Some reconciliations incomplete. Agreement of balance returns reconcile to ledger and completed on time major differences with providers and other NHS bodies being resolved but some historical and unresolved issues. Supplier statements for non-NHS providers routinely reconciled when issues arise with supplier. Cash forecast and drawdown requirements signed off. Cash at bank minimised with only occasional overdraft or supplementary drawdown requests. Cash forecast and drawdown requirements signed off. Overall low cash balances at bank with occasional overdraft or high cash balances.	Balance sheet reviewed irregularly by CFO. Incomplete reconciliations for key accounts with items on control accounts unresolved for long periods. Agreement of balance returns don't reconcile to ledger and not completed on time. Major differences with providers and other NHS bodies not being resolved. Supplier statements for non-NHS providers not reconciled with frequent issues with suppliers. Ledger and other systems with financial impact not subject to active access and posting control in line with delegated authorities. Cash forecast and drawdown requirements not signed off. Poor cash forecasting and high variability in month end cash balance.	Good	Balance sheet reviewed monthly and flexibility monitored then released to reserves periodically. All historical AoB resolved but was identified as an area for improvement at accounts wash up re detailed backup, communication, proactive resolution with provider management. Cash forecasting has improved in the last year. Supplementary drawdown requests are rare.	Accounts wash up actions implemented on AoB. Identified action with new LPP provider on cash forecasting linking carefully with FM staff in CCG	By end November By end March
	11	Systems & processes (including internal audit response)	Robust system of controls exists including segregation of duties & control account and other balance sheet reconciliations. Journals fully documented and approved by appropriate level supervisor. Accounts payable and receivable regularly reviewed with minimal overdue debts or delayed payments to creditors. All processes documented with clear responsibilities for delivery and review. No internal audit category 1 findings and recommendations and all lower level recommendations implemented on time and in full. Unqualified external audit report.	Robust system of controls exists. Segregation of duties, control account and other balance sheet reconciliations almost 100% in place with only minor exceptions. Journals fully documented and approved by appropriate level supervisor. Accounts payable and receivable regularly reviewed with minimal overdue debts or delayed payments to creditors. Key processes documented with clear responsibilities for delivery and review. No more than one internal audit category 1 finding and recommendation in last year. Remaining lower level recommendations implemented on time and in full. Unqualified external audit report.	Robust system of controls exists with some minor issues. Segregation of duties, control account and other balance sheet reconciliations substantially in place with only minor exceptions. Journals well documented and approved by appropriate level supervisor with minor exceptions. Accounts payable and receivable regularly reviewed but with some overdue debts and/or delayed payments to creditors. Key processes documented with clear responsibilities for delivery and review. No more than two internal audit category 1 findings and recommendations implemented on time and in full. Unqualified external audit report.	System of control poorly documented with some major issues. Issues with segregation of duties, control accounts and other balance sheet reconciliations. Journals poorly documented and not generally approved by appropriate level supervisor. Accounts payable and receivable not regularly reviewed and show significant overdue debts and/or delayed payments to creditors. Key processes not documented, clear responsibilities for delivery and review not clear. More than two internal audit category 1 findings and recommendations in last year and majority of lower level recommendations not implemented on time and in full. Qualified external audit.	Good	Balance sheet and control accounts are reconciled monthly. Audit suggests processes are robust. PSP generally good and improving trend. This month achieved all 4 targets but communication could always be better on why invoices are held and speedy resolution. Internal audit recommendations tracked and just a few outstanding. No category 1 findings in last year. Unqualified external audit reports.	Report to be provided to CCG on invoices being held for review.	by end March
	12	Risk sharing & income recognition	Where applicable, risk sharing arrangements with other CCGs and trusts fully documented and associated financial risks routinely evaluated. Sufficient information for CCG to assess and account for its own risk. Risk included in risk register and in risk adjusted position. All anticipated recharges have agreement or a process for getting agreement. Where CCG receives income for the provision of services commissioned by other organisations financial controls are in place to ensure the CCG has minimal risk, and that all transactions and balances can be identified. No income, expenditure or cash transactions that could be constituted to be brokerage or similar arrangement.	Where applicable, risk sharing arrangements with other CCGs and trusts documented sufficiently to evaluate associated financial risks. Risk assessed at least quarterly and included in risk register and in risk adjusted position. Majority of anticipated recharges have outline agreement or a process for getting agreement. Where CCG receives income for the provision of services commissioned by other organisations - financial controls need strengthening. CCG has moderate exposure to risk that it can't directly mitigate. Any income, expenditure or cash transactions that could be constituted as brokerage or similar are minimal, transparent arrangements and don't have a major impact on surplus.	Where applicable, risk sharing arrangements with other CCGs and trusts not documented sufficiently to evaluate associated financial risks. Risk assessed at least quarterly and included in risk register and in risk adjusted position. Majority of anticipated recharges have outline agreement or a process for getting agreement. CCG receives income for the provision of services commissioned by other organisations - poor financial controls. CCG has significant exposure to risk that it can't directly mitigate. Significant income has been received non-recurrently or invoices lacked in value on the basis that this will be reversed in future periods. Lack of transparency.	Where applicable, risk sharing arrangements with other CCGs and trusts not documented sufficiently to evaluate associated financial risks. Majority of anticipated recharges don't have outline agreement or a process for getting agreement. CCG receives income for the provision of services commissioned by other organisations - poor financial controls. CCG has significant exposure to risk that it can't directly mitigate. Significant income has been received non-recurrently or invoices lacked in value on the basis that this will be reversed in future periods. Lack of transparency.	Good	The CCG has vastly improved its risk sharing/mitigation processes for 15/16 so the CCG is much less exposed financially. Separate documented risk shares for MDU with NLAG/health community. BCF with NLAG, RASH and council which the CCG has direct control over. At least monthly meetings to review position and action. Risk sharing is written into HEY and NHS 111 contracts though the CCG is only an associate to the contract. A new risk/gain share is being developed for case mgmt of MH/LD clients. Risks are clearly identified and processes for managing them.	Response to Monitor/NHSE should £5m of PDC bid not be granted	By 23rd August
	13	Risk management	Pro-active horizon scanning process with risks assessed in terms of likelihood and financial impact. Clear responsibility of governing body or appointed committee. Clear documented process for identifying mitigations. Mitigations evaluated financially with early and effective stakeholder engagement. Tracking and reporting system in place with regular reporting to the appropriate committee. All risks on risk register financially assessed monthly. Major risks reviewed regularly.	Process for assessing risk well established with risks assessed in terms of likelihood and financial impact. Clear responsibility of governing body or appointed committee. Mitigations evaluated financially with stakeholder engagement. Tracking and reporting system in place with regular reporting to the appropriate committee. All risks on risk register financially assessed with major risks reviewed regularly.	Process for assessing risk reasonably well established with risks assessed in terms of likelihood and financial impact - some improvements needed. Responsibility of governing body or appointed committee clear. Risks sometimes overlooked. Mitigations evaluated financially with some stakeholder engagement. Tracking and reporting system in place with regular reporting to the appropriate committee. Key risks on risk register financially assessed but more in depth review required to fully evaluate.	Process for assessing risk ill defined - major improvements needed. Unclear responsibilities for assessing and reporting. Only some mitigations evaluated financially with limited stakeholder engagement. Tracking and reporting system poor with irregular reporting to the appropriate committee. Key risks on risk register financially assessed but more in depth review required.	Good	Community finance plan risks and mitigations are reviewed and reported by HLHF finance group monthly to programme board. Cost pressures and flexibilities list reviewed periodically by Exec Team and at bi monthly finance and performance committee. HLHF and BCF risks are financially evaluated by the relevant joint finance groups.		
	14	Level of net risk	Fully quantified risk. All risks matched by fully worked and credible mitigations capable of deployment in-year, leaving a net opportunity.	Key risks fully quantified risk. Risks matched by mitigations leaving no net risk.	Majority of risks quantified but with some key risks under evaluation. Risks matched by mitigations leaving overall net risk within business rules.	Risks only partially quantified & only partially matched by under-developed mitigations leaving material net risk outside business rules.	Good	As well as above, key financial risks are reported to NHSE and Governing Body/Engine Room and are matched by mitigations. However, there is little flexibility to cover any unknown risks that might emerge in year e.g. from NHSE. Cost pressures list reviewed monthly for other minor financial risks	see above re QPP contingency plans	
	15	Core team	Fully staffed team with clear roles and responsibilities. All permanent roles filled, low staff turnover. Staff well trained and appropriately qualified, training & development taken seriously, CPD up to date for all applicable staff members. Where relevant, shared management team recognises the organisational boundaries and allows sufficient time to focus on the separate issues of each CCG.	Fully staffed team with clear roles and responsibilities with minimal use of interims. Low staff turnover. Staff well trained and appropriately qualified. Training and development taken seriously but some areas to address. Where relevant, shared management team recognises the organisational boundaries and allows time to focus on the separate issues of each CCG.	Clear roles and responsibilities with some use of interims but with firm plans to recruit substantively. Moderate staff turnover. Training & development seen as important but limited progress. Where relevant, shared management team usually recognises the organisational boundaries and allows some time to focus on the separate issues of each CCG.	Roles and responsibilities unclear with extensive use of interims - high staff turnover with CFO interim for more than 3 months. No firm plans to reduce reliance on interims. No training and development plan. Where relevant, shared management team does not always recognise the organisational boundaries and sometimes allows insufficient time to focus on the separate issues of each CCG.	Good	Capacity review to create more space for training and development. CPD needs updating. Small, very experienced, fully staffed team and low turnover. Business case approved to bring FM in house which will improve resilience, cross cover, etc.	Update professional CPD. Training of existing staff included in transfer implementation plan	end December
	16	Finance team capability and capacity including support services	Signed contract with commissioning support service provider detailing all services to be delivered and related standards of performance. Excellent working partnership with roles and working arrangements clearly defined. Commissioning support service provider rated highly by the CCG, reports etc. delivered on time to a high standard, no unresolved formal disputes.	Signed contract with commissioning support service provider detailing all services to be delivered and related standards of performance. Good working partnership with roles and working arrangements defined. Commissioning support service provider rated highly by the CCG with majority of reports and other deliverables delivered on time to reasonable standard, no major unresolved formal disputes.	Signed contract with commissioning support service provider outlining all services to be delivered and related standards of performance missing for some services. Good working partnership with roles and routine feedback reasonably defined but some clarification required. Commissioning support service provider rated moderate by the CCG with some key reports and other deliverables delivered late or incomplete. No major unresolved formal disputes but number of minor disputes or long running service issues.	Commissioning support service contract is missing detail of service provision in a significant number of areas. Poor working arrangements with roles and routine feedback not clearly defined. Commissioning support service provider rated moderate to poor by the CCG with some key reports and other deliverables often delivered late or incomplete. Major unresolved formal disputes.	Moderate	Long running service issues, hence prior to CSU not achieving LPP status, the CCG had indicated its intention to bring some services, including FM back in house	Implementation plans to be developed and actioned for transfer following agreement of transfer dates and revised deadlines for consultation/TUPE etc.	Aug- Feb

17	Audit and other finance committees	Governing body ensures effective financial management	Committee structure well designed with clear roles and reporting for all finance related committees. Reviewed in last 12 months and fit for purpose. All committees chaired by a different suitably qualified non-executive or member of the governing body. Audit chair is a qualified accountant. Separate audit and financial committees. Training on responsibilities and processes provided to members to a high standard and documented. Committees meet as regularly as stipulated in terms of reference with agendas and decisions within the committee's remit. Constructive, focused and relevant challenges with timely and robust monitoring and follow up of actions. Committee chairs report to the governing body following each meeting and have an annual review of the committee's performance reported to the governing body.	Committee structure well designed with clear roles and reporting for finance related committees. Reviewed in last 12 months, fit for purpose and future reviews scheduled. Chaired by suitably qualified non-executive or member of the governing body. Audit chair is a qualified accountant or is supported by a suitably qualified lay member. Separate audit and financial committees. Training on responsibilities and processes provided to members where requested by Chair. Committees meet as regularly as stipulated in terms of reference with agendas and decisions within the remit. Some constructive, focused and relevant challenges, and actions followed up regularly. Committee chairs report to the governing body following each meeting and review the committee's performance at least once per year.	Committee structure established but some areas of overlap and gaps to be addressed. Not reviewed in last 12 months with no process for committee structure to respond to financial and operational challenges. Chaired by non-executive or member of the governing body with reasonable qualifications and/or experience. Audit and financial committees not separate. Training on responsibilities and processes provided to members on an ad hoc basis and needs strengthening. Committees plan to meet as regularly as stipulated in terms of reference but sometimes meeting cancelled. Agendas and decisions largely within the remit but some gaps and overlaps in work with other committees. Members provide some financial challenge but needs improvement. Committee chairs report to the governing body on an irregular basis and performance reviewed informally at least once per year.	Committee structure in need of redesign and not reviewed in last 12 months. No process for committee structure to be reviewed in response to financial and operational challenges. Audit chair not a qualified accountant and/or other chairs not suitably qualified or experienced. Audit and financial committees not separate. Training on responsibilities and processes not provided to members. Committees fail to meet as regularly as stipulated in terms of reference. Agendas and decisions not within the remit with major gaps and overlaps in work with other committees. Members as a group provide limited financial challenge with poor follow up of actions. Committee chairs report to the governing body on irregular basis and performance not reviewed formally or informally.	Good	Clear roles, TOR (reviewed in aug), meetings in line with TOR and reports produced for Governing Body. Action logs reviewed. Good challenge provided in Governing Body, engine room and audit group. Chair and members receive some training. Effectiveness of audit group scored reasonably with an agreed action plan. Finance and performance group working well but governance needs more formalising.	If Finance and Performance group to take over from Engine Room on reviewing finance then it requires a lay chair, the minutes to be reviewed by an appropriate body and the groups effectiveness reviewed. GP members on audit group and engine room to continue to receive training and development on financial issues and providing challenge	December- March
		Audit Committee performance	Audit Committee ensures responsibilities for implementing recommendations are appropriately assigned and implemented within timescales agreed. Audit recommendations followed up as a standard item on agenda. Audit Committee receives and follows up all internal audit reports and approves internal audit plan. Chair meets with internal and external auditors without management present. Chair ensures that lay members are appropriately skilled and experienced. Audit Committee receives service auditor reports from commissioning support service providers and ensures overall control environment is of excellent quality with only minor issues. Audit Committee obtains direct evidence where appropriate and is not reliant on representations from senior management.	Audit Committee ensures responsibilities for implementing recommendations are appropriately assigned with timescales agreed with major items delivered on time. Audit recommendations followed up as a standard item. Audit Committee receives all internal audit reports and approves internal audit plan. Chair meets with internal and external auditors. Chair works actively to improve the skills and experience of lay members. Audit Committee receives service auditor reports from commissioning support service providers and ensures overall control environment is of a good quality. Audit Committee obtains direct evidence in key areas of concern to reduce reliance on representations from senior management.	Audit Committee ensures responsibilities for implementing recommendations are appropriately assigned with timescales agreed with majority of items delivered on time but with some exceptions to be addressed. Audit recommendations followed up as a standard item. Audit Committee receives all internal audit reports and approves internal audit plan. Chair may be considering working more actively to improve the skills and experience of lay members. Control environment is of a good quality but with some areas of concern which Audit Committee needs to address. Audit Committee may often rely on representations from senior management.	Audit Committee does not ensure responsibilities for implementing recommendations are appropriately assigned with timescales agreed. Audit recommendations not followed up as a standard item. Audit Committee does not receive all internal audit reports and/or approve internal audit plan. Skills and experience of lay members not sufficient to fulfil role. Control environment is considered to be poor quality with significant areas of concern. Audit Committee usually relies on representations from senior management and rarely seeks direct evidence.	Good	Action log followed up routinely and few outstanding items. Audit Plan agreed annually. Audit recommendations tracked by internal audit- non outstanding. Service Auditor reports and related action plans are good quality and are reviewed and challenged. Direct evidence has been sought from CSU on areas of concern as required over the last 12 months e.g. CHC and CSU performance. Audit has developed assurance mapping to assist the CCG in identifying assurance gaps.	as above. Assurance mapping to be handed over to CCGs lead for governance shortly	September

## Financial Control Environment Assessment

		Area of consideration	Sub-area	Self-assessment
Financial performance	1	Longer term planning		Moderate
	2	Detailed financial planning	Credibility and degree of stretch	Moderate
	3		Alignment with activity and provider contracts	Excellent
	4	In year financial performance		Moderate
	5	Financial reporting	Consistency of reporting with ledgers and NHSE submissions	Excellent
	6		Comprehensiveness and use as control mechanism	Good
	7		Sufficiency of board reporting to manage overall financial position	Good
Financial controls & processes	8	Systems of financial control	Standing orders, SFIs and delegated authorities	Good
	9		Budget setting, monitoring and forecasting and key area cost control	Good
	10		Balance sheet including intercompany balances (AoB) & cash	Good
	11		Systems & processes (including internal audit response)	Good



<b>Financia</b>	<b>12</b>		<b>Risk sharing &amp; income recognition</b>	<b>Good</b>
	<b>13</b>	<b>Risk management</b>	<b>Identification and monitoring process</b>	<b>Good</b>
	<b>14</b>		<b>Level of net risk</b>	<b>Good</b>

	<b>15</b>	<b>Finance team capability and capacity including support services</b>	<b>Core team</b>	<b>Good</b>
	<b>16</b>		<b>Commissioning support services (mark as N/a if no CSU support)</b>	<b>Moderate</b>
	<b>17</b>	<b>Audit and other finance committees</b>	<b>Governing body ensures effective financial management</b>	<b>Good</b>
	<b>18</b>		<b>Audit Committee performance</b>	<b>Good</b>