

Governing Body meeting (held in public)

DATE: 28 January 2016

Title	Financial Control Environment Update
This paper is for Information	
Recommended action for the Governing Body	<p>That the Governing Body:</p> <p>Note</p> <ol style="list-style-type: none"> 1. The letter from Paul Baumann, CFO of NHS England regarding the completion of the financial control environment assessments. 2. Bexley CCG's position compared to the national picture for the assessment, where it fairs well. 3. The updated iteration of the return which was submitted in December 2015 noting actions taken to date and actions which remain outstanding.
Potential areas for Conflicts of interest	Not applicable.
Executive summary	<p>The CCG has received a letter from Paul Baumann (see Appendix 1), CFO of NHS England regarding the Financial Control Environment Assessments which were completed a few months ago. This letter expresses his thanks to commissioners for the way that the returns were completed and reviewed by Audit Committees.</p> <p>The national results show that there are 4 main areas where improvements are required namely:</p> <ul style="list-style-type: none"> • Long term planning • In year financial performance • Level of net risk • Commissioning support service provision <p>Appendix 2 shows how NHS Bexley CCG compares to the national position and that our main area of weakness is long term planning. However, this is as a result of the inability to meet 1% surplus in line with national planning requirements only, as opposed to planning weaknesses.</p>

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	<p>On the whole, the CCG compares reasonably well with the national picture.</p> <p>As members are aware, the CCG was originally asked to identify actions to improve the current level of performance and an update on those actions was required by 4th December 2015. The submission was approved by the Chief Officer and Chair of the Audit Committee. The updated return is attached at Appendix 3. Members will see from this that there have been no changes to the timelines for delivery and the only additional action identified is regarding monitoring the situation at the CSU.</p> <p>In terms of actions already taken, the CCG has a new Medium Term Financial Strategy (MTFS) in place, is continuing to update its planning model whilst awaiting the final guidance from the centre, all financial submissions are being physically signed by the CFO, the acute QIPP delivery information is being reviewed to assess its reliability and additional finance training has been given or is in the diary to be provided. The CCG is also continuing to work with providers to ensure delivery of performance targets and with the CSU with regard to cash balances, which has proved to be successful. Risks for the CCG and the financial position continue to be monitored and reviewed on at least a monthly basis and these are reported to the CCG's committees on a regular basis. As the CCG is currently tendering the CSU services, it is not appropriate to make further comment on these issues at this time and that has been noted on the return to NHS England.</p> <p>Therefore, overall progress continues to be made. The main factor now is the receipt of the planning guidance and our 2016/17 allocation to assess if the CCG can improve the scores in relevant areas.</p>	
How does this paper support the CCGs objectives?	<p>Patients:</p>	<p>A robust financial control environment indicates that the CCG is using its limited resources in the best way to meet the needs of Bexley residents.</p>
	<p>People:</p>	<p>The financial control environment assessment has shown that the people in the finance team and at the CSU are assessed as being capable of managing the CCG finances.</p>
	<p>Pounds:</p>	<p>The paper shows that the CCG meets the majority of the criteria required and the main area for improvement is around long term planning. The CCG is seeking to address this area in particular but ongoing financial pressures may make this difficult to achieve.</p>
	<p>Process:</p>	<p>The assessment showed that in the main the CCG has a robust financial control environment.</p>
What are the Organisational	<p>Key risks</p>	<p>The main risk is that the CCG is unable to improve its rating in the long term planning domain due to</p>

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implications		ongoing financial pressures. This may affect the assurance process for the CCG.	
	Equality	Not applicable.	
	Financial	The main risk is that the financial planning, which is currently being worked on, is unable to produce a balanced financial plan which provides a 1% surplus which is required to meet the long term planning criteria. This was the main reason for the below average rating when assessed earlier in the year.	
	Data	Not applicable.	
	Legal issues	Not applicable.	
	NHS constitution	Not applicable.	
Engagement	Not applicable		
Audit trail	Future iterations will be presented to both the AIAC and the Governing Body.		
Comms plan	Not applicable		
Author: Julie Witherall AD Financial Management	Clinical lead: Dr S Deshmukh Finance lead	Executive sponsor: Theresa Osborne Chief Financial Officer	
Date	15 December 2015		



To CCG Audit Chairs, Accountable Officers
and Chief Financial Officers

Paul Baumann
Chief Financial Officer
NHS England
Skipton House
80 London Road
London
SE1 6LH

10 November 2015

Financial Control Environment Assessment

I am writing to thank you for undertaking the financial control assessment as per my letter of the 17 July. We received assessments from every CCG, signed off by the Accountable Officer, by the end of August deadline, and with a very high percentage also having been reviewed by audit committees. I am delighted with the way in which commissioners have approached the assessment, and I have been pleased to hear directly from CCGs that have found this to be a useful and worthwhile exercise.

I appreciate the tremendous amount of effort that has gone into completing the assessment, and hope that it has proved of value in identifying areas to improve on as well as giving some assurance on the areas that the CCG is performing well in.

What did the results tell us?

I have attached a summary of the national picture and alongside it the assessment for your CCG so that you can see how your organisation compared to the national picture. There are four areas that stand out that require attention for the majority of CCGs - long term planning, in-year financial performance, level of net risk and commissioning support service provision

As part of our ongoing work on financial resilience we will be making these areas of specific focus. We will be looking for those CCGs that demonstrate a high level of control in these areas to act as exemplars for others; we will be looking to develop guidance and advice both in written form and to be enacted through support from the regional teams, and we will include these areas in the development of a menu of support tools for CCGs.

The assessments have also been used alongside other financial metrics and local intelligence to identify CCGs that are potentially at risk of failing to meet their financial plan for the year. These CCGs are now receiving additional support from regional teams to help them minimise their risk of financial failure.

What do we need to do next?

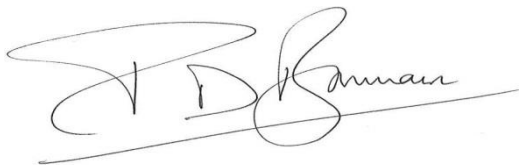
As I wrote in my previous letter, we can't afford significant financial deterioration this year and need to work together to prevent this happening, to detect earlier where pressures are building and to design and implement recovery plans at pace where necessary.

It is important that, having undertaken the assessment and identified actions to improve our financial processes and controls, we make sure that these actions are followed up. I am asking Audit Chairs to ensure that this happens with oversight by the Audit Committee. I am also asking regional teams to put in place appropriate monitoring arrangements and will be asking them for regular progress updates.

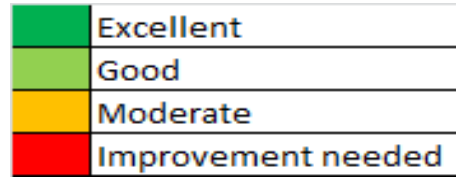
You may want to undertake another self-assessment in the next few months to gauge your progress. We will be developing plans for future follow-up on a national basis.

Thank you once again for your commitment to this important exercise and your professionalism in its execution.

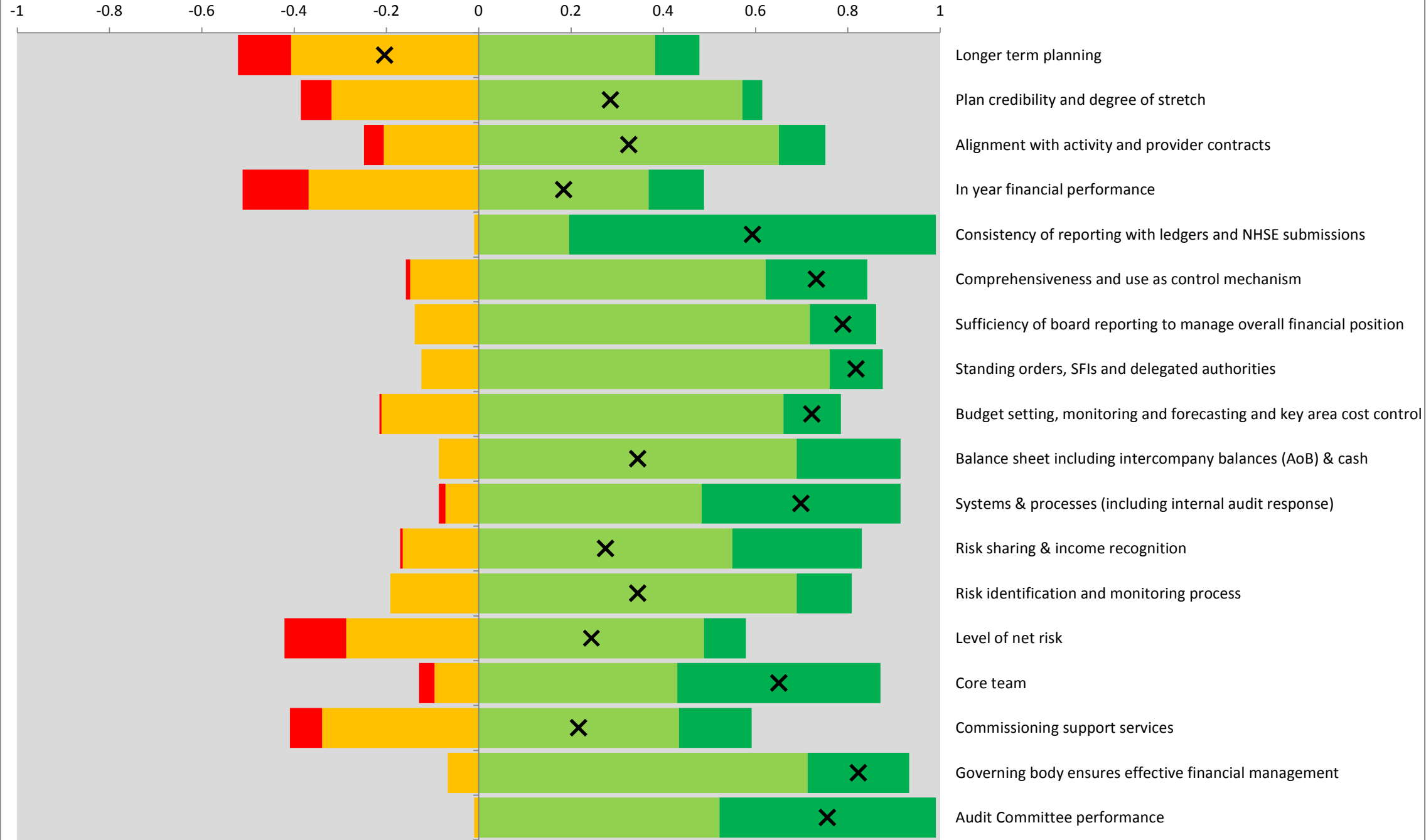
Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Baumann', with a long horizontal line extending from the end of the signature.

Paul Baumann
Chief Financial Officer



Financial Control Environment Assessment Summary % of CCGs by category - NHS England



Financial Control Environment Assessment

CCG name	NHS Besley CCG
Prepared by	Thomas Chisome
Approved by	CCG GR
Date approved	30/07/2015

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	1) Progress against your actions to address issues identified	2) Any further actions identified subsequent to the assessments carried out in August	3) An update on the timelines (if required)	
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. Contingencies and reserves identified to respond to unforeseen events. Key risks identified with clear mitigation plans. Finance actively involved in service developments, procurements and other 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. Key risks identified with some mitigation plans. 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 input.	Moderate	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.	NHS Besley CCG has a challenged financial position and also has a £8m gap in terms of distance from target on current allocation methodology. The planning is robust and meets all business rules except for the 1% surplus. The CCG has some contingency and reserve but there is a risk this will be insufficient to address risks. Risks are well developed and mitigations developed. There is finance input into service improvements and procurements. 2015/16, however, is seen to be a safer financial environment than previous years, although this may not continue over the 5-year period.	CCG continues to identify areas for improvement and to review all areas of spend. The CCG works on innovative models of care to deliver services within budget. NHS England are aware of the financial position of organisation.	Ongoing	The CCG has good planning processes and a new MFTS in place for 2015/16 and beyond. However, this will need to be updated on receipt of 16/17 planning guidance and allocations. The CCG is continuing to review all areas of spend and work on new models of care. However, whilst the CCG is confident that it will meet to plan for 2015/16, the financial position for 2016/17 will be difficult and will depend upon the underlying, the levels of funding received and the planning guidance.	None identified	No change
	2	Credibility and degree of stretch	Planning assumptions within the guidelines set by NHS England. Plans stretching with challenging QPPP. Comprehensive plans with responsibilities and timescales identified. Very high confidence that plans 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 reviewed.	Good	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.	As above, planning is within NHSSE guidelines and NHSSE have agreed breakeven position for 2015/16. The CCG has historically set challenging QPPP targets and consider 2015/16 QPPP to be realistic and achievable. QPPP is phased appropriately and reflected in budgets. Some reserves are in place to mitigate risks and acute contracts have been negotiated so as to mitigate risk in 2015/16.	None	N/A	Not applicable	Not applicable	
	3	Alignment with planned and contracted activity	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 100% 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 signed with providers making up over 70% of expenditure. Moderate confidence that plans have sufficient financial resource to deliver CCG & national targets.	Good	Plans only partially or not aligned with planned and contracted activity. Major gaps to be resolved. Contracts with main providers remain unsigned. Low/moderate confidence that plans have sufficient financial resource to deliver CCG & national targets.	Activity is aligned with plans and all major contracts are signed. Given that some of the providers in SFL are not meeting some national targets, there is only moderate confidence that the plans have sufficient financial resources to deliver these. QPPP is reflected in the budget and within contracts agreed with providers.	CCG working with providers to ensure delivery of national targets.	Ongoing	The CCG is continuing to work with providers to ensure delivery of national targets. Some providers are asking for additional funding which will be discussed with other commissioners.	None identified	No change
	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 off-balance categories. Expenditure run rate forecast to be in line with plan or below of deterioration.	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. Expenditure run rate forecast to be in line with plan or below. 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 in line 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.	Good	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.	At present CCG is on track to deliver to plan. There are some reporting issues with I&E Trust due to implementation of a new system, but the CCG has reserves in place to cover the cap value of I&E contract. The CCG is incurring increasing I&E expenditure and although reserves are in place to cover this in 2015/16, this will present a problem for future years. The QPPP plans forecast to achieve.	The CCG continues to work on plans, including QPPP, to try and attain a 1% surplus in future years. However, this is not currently planned for 2016/17.	Ongoing	The CCG has built a new financial model for 2016/17 and 4 additional years. This will include a bridge to show the movement from the reported (breakeven) position to the any different position for 2016/17. The CCG is awaiting planning guidance and details of its allocation before planning can be finalised. QPPP plans are also being worked up for 2016/17. It is unlikely that the CCG will be able to make a 1% surplus in 2016/17 given the information at hand.	None identified	No change
	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-SFE 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-SFE submissions 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-SFE submissions normally agree to board reports and are mostly in compliance with NHS England guidelines.	Excellent	Reports don't reconcile to ledger with no evidence of sign off by Chief Financial Officer. Non-SFE submissions don't routinely agree to board reports and are not in compliance with NHS England guidelines.	Board reports are very comprehensive and include copies of returns made in month, expenditure and I&E, FOT, risks, QPPP, balance sheet, cash, debtors and BPPC. They are presented to both the Finance Sub Committee monthly and the Governing Body every two months (in line with meetings). Budget holders are in constant liaison with finance team, and have monthly meetings to ensure that they are up to date within budget or identify issues early so that mitigating action can be taken. QPPP performance, by initiative, is monitored and reviewed with a RAG rated by finance, quality and performance. The CCG received significant assurance with minor improvement opportunities for its last QPPP internal audit.	Ensure sign off by CFO is documented	From next NHSE return	The signing of submissions by the CFO is now in place and copies are available.	None	In place
	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 SFE reports used. Variances from budget and forecast outcome 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 all areas of expenditure. Standard and customised SFE reports used. Variances from budget and forecast outcome 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 all areas of expenditure. Standard and customised SFE reports used but significant use of off-ledger reporting. Variances from budget and forecast outcome reviewed with budget holders identifying actions to achieve agreed outcome with major areas of concern reviewed monthly with moderate confidence that the actions will be resolved. QPPP performance not monitored monthly at individual initiative level 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.	Excellent	Financial reports don't provide timely and accurate information of actual and budgeted spend on key areas of expenditure. Standard and customised SFE reports used but extensive use of off-ledger reporting that isn't reconciled to the ledger. Variances from budget and forecast outcome not routinely and systematically reviewed with budget holders. Limited actions identified and agreed to achieve outcome. Low confidence that the actions will be resolved. 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.	Board reports are very comprehensive and include copies of returns made in month, expenditure and I&E, FOT, risks, QPPP, balance sheet, cash, debtors and BPPC. They are presented to both the Finance Sub Committee monthly and the Governing Body every two months (in line with meetings). Budget holders are in constant liaison with finance team, and have monthly meetings to ensure that they are up to date within budget or identify issues early so that mitigating action can be taken. QPPP performance, by initiative, is monitored and reviewed with a RAG rated by finance, quality and performance. The CCG received significant assurance with minor improvement opportunities for its last QPPP internal audit.	Continued working with CSU to obtain robust QPPP performance	Ongoing	Draft reporting has now been presented by the CSU for any acute related QPPP. This is currently being reviewed.	None	No change
	7	Sufficiency of board reporting to manage overall financial position	Reporting provides very clear explanation of current and forecast position and underlying run rate, including corrective actions and key 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. I&E, cash and balance sheet partially covered with limited integration with key non-financial measures including activity. Format reviewed in time to time but not approved by appropriate committee.	Excellent	Reporting provides limited explanation of current and forecast position. Corrective actions and risk analysis difficult to understand. I&E, cash and balance sheet only partially covered. Very limited integration with key non-financial measures. Format not reviewed in last year.	Board reports are very comprehensive and include copies of returns made in month, expenditure and I&E, FOT, risks, QPPP, balance sheet, cash, debtors and BPPC. They are presented to both the Finance Sub Committee monthly and the Governing Body every two months (in line with meetings). Budget holders are regularly reviewed and Governing Body and Finance Sub Committee members are encouraged and given the opportunity to comment on the format and content. The underlying run rate is now included as part of the non SFE return.	None	N/A	Not applicable	Not applicable	Not applicable
Financial controls & processes	8	Standing orders, SFLs 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. Delegated authorities built into SFE 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 SFE with substantially complete hierarchies or well documented and approved working arrangements for exceptions.	Standing Orders, standing financial instructions and delegated authorities reviewed and approved in the past 12 months but no timetable for future reviews. Limited or no guidance documents in place for relevant aspects such as procurement and recruitment. Some evidence of staff training on financial governance but more needed. Delegated authorities built into SFE but with incomplete or out of date hierarchies. Working arrangements to operate SFE inadequate and not documented.	Excellent	Standing Orders, Prime Financial Policies and the Scheme of delegation are included in the CCG's constitution and are reviewed when this is updated. The CCG also has a detailed Schedule of Matters delegated to Officers which is reviewed annually and in place by 1st April every year. There are clear guidance documents in place for procurement, recruitment and QPPP. Key staff have been trained in financial governance and training is due to take place for Audit and Finance Sub Committee members. Budget holder training has also recently taken place for all budget holders. SFE has appropriate authorities built in which are reviewed on a monthly basis with CSU colleagues. Significant assurance received from IA in 2014/15.	To ensure that all training is documented.	31/03/2016	The A&B finance training has taken place and the slides are available. This session is being re-run for the Finance Sub Committee and Governing Body. There is also a basic finance training session due to take place in December for non finance staff.	None	No change to timelines	
	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 QPPP 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 covers 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. Some budgets imposed to achieve overall surplus. Some budget holders not taking responsibilities seriously. Most expenditure and QPPP 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 the governing body. Budgets not formally accepted by budget holders and adjustments not always clearly 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 always clearly 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.	Excellent	Budgets are prepared by finance in conjunction with budget holders, there is formal sign off of budgets and budget holders receive a hand book. All budget holders have recently undertaken budget holder training. Monthly meetings are held with budget holders and the staff is very clear that this is a priority for CCG. Budgets, QPPP, reserves and contingencies are all appropriately phased. Reserves and contingencies held were presented to the Governing Body and all budget changes are documented and presented to the GB monthly. Budgets are signed off by the Board by end of March, on implementation on 1st April and Budget holders soon after. Budget virements have a process in place and are signed off by appropriate parties and fully documented. Budgeting takes place at a detailed code level and there is a 5 year plan in existence at both summary and detail level.	None	N/A	Not applicable	Not applicable	Not applicable	
	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 - 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 requested.	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 mostly months with full reconciliations for key accounts and minimum quarterly reconciliations for remaining accounts. Some reconciliations incomplete. 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 subject to active access and posting control in line with delegated authorities. Some outstanding issues. Cash forecast and drawdown requirements not signed off. Poor cash forecasting and high variability in month end cash balance.	Good	This function is undertaken by SE CSU. However control account reconciliations are a KPI and undertaken every month. The balance sheet is also reviewed by CFO at monthly A&B meetings and questions asked of the CSU team. Resolution of A&B activity undertaken by CSU and CCG finance team. Cash management generally good with weekly cashflows produced by the CSU and provided to the CFO for comment; but there has been the need for additional draw down on occasion. The CSU is being managed against national KPIs in this respect. Robute processes in place to manage access to the ledger which is reviewed monthly.	The CCG is working with the CSU to continually improve cash forecasting and minimise agreement of balances differences.	Ongoing	The CCG has continued to work with the CSU regarding cash management and since the original assessment, there has not been high levels of cash at the month end nor has there been any requirement to drawdown cash urgently.	None identified	No change	
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 recommendations in last year. Remaining lower level recommendations implemented on time and in full. Unqualified external audit report.	System of control poorly documented with some major issues. Segregation of duties, control account and other balance sheet reconciliations substantially in place with only minor exceptions. Journals poorly documented and not regularly approved by appropriate level supervisor. Accounts payable and receivable not reviewed and show significant overdue debts and/or delayed payments to creditors. Key processes not documented, clear responsibilities for delivery and review. 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.	Excellent	A robust system of controls exists within the CCG. Significant Assurance was received from Internal Audit and an Unqualified external audit report and no category 1 Internal audit issues. Robust segregation of duties in place. Accounts payable and receivable reviewed at monthly A&B meetings with CFO and also during the month by both CSU and CCG teams. A Financial Governance report is written annual for the Audit Committee for review. All journals are reviewed and approved by authorised personnel. The CCG routinely achieves its BPPC and is a member of the Prompt Payment Code. Effective debt collection is in place and the CCG write off no debts in 2014/15. The CCG has robust processes in place.	None	N/A	Not applicable	Not applicable	Not applicable		
12	Risk sharing & income recognition	Where applicable, risk sharing arrangements with other CCGs and trusts fully documented and associated financial risks evaluated monthly. Total risk evaluated and CCG share agreed with other parties. All anticipated recharges have agreement. Where CCG receives income for the provision of services commissioned by other organisations financial controls are in place to ensure the CCG is not placed at any risk, and that all transactions and balances are separately 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. Sufficient information for CCG to assess and account for its own risk. Risk 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 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 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. Where CCG receives income for the provision of services commissioned by other organisations financial controls not strengthening. CCG has moderate exposure to risk that it can't directly mitigate. Significant income has been received non-recurrently or invoices reduced in value on the basis that this will be reversed in future periods. Lack of transparency.	Good	Risk share agreements are in place within the CCG as part of contracts and they are regularly reviewed and assessed and included in risk register as appropriate. A risk schedule is included in the monthly finance report that is discussed at the Finance Sub Committee and Governing Body. Recharges in place are generally documented. All transactions are transparent and do not have any impact on surplus. South East London has recently agreed a new collaborative framework and risk pool across all six CCGs.	Ensure no transactions imply brokerage, have more robust arrangements for risk share agreements	31/03/2016	The CCG has not made any transactions which imply brokerage, nor do they have any intention of doing so. A new collaborative & risk share agreement is now in place across SFL and this has been approved by NHS CCGs Governing Body.	None identified	No change		

13	Risk management	Identification and monitoring process	Pre-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.	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. Under 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	There is a robust risk management process in place within the organisation which is discussed at the audit committee, EMC and the Governing Body. Finance risks are assessed and quantified monthly and reported as best, most likely and worst case in the monthly finance report to the Finance Sub-Committee and GB. Mitigations are evaluated and offset against the risks and are discussed with Stakeholders and other CCGs where relevant, for example a year end control total.	Assess risks for likelihood	31/03/2016	The risk register is reviewed on a monthly basis by the CFO, Executive Team and all Assistant Directors. All risks are assessed for likelihood. There is a level of challenge made at all committees. The Board Assurance Framework is also presented to the Governing Body and the AIAC.	None identified	No change
		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	Risks are identified and assessed but there are some areas which this early in the year are more difficult to quantify e.g. prescribing (where reporting is 2 months in arrears, acute where L&G Trust are having data issues. Best, most likely and worst case risks are reported). Mitigations are put in place where possible but overall net risk is just within business rules.	Continue to identify mitigations to improve net risk position	31/12/2015	The CCG is constantly reviewing its financial position including reviewing mitigations to improve the net risk position. However, there is an emerging underlying position with acute providers. NICE have been alerted. This position is currently being reviewed and part of these costs is subject to an audit.	None identified	Will need to continue to 31/03/2016 and ongoing during 2016/17.
15	Finance team capability and capacity including support services	Core team	Fully staffed team with clear roles and responsibilities. All permanent (fixed) one 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 substantially. 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 CPD interim for more than 3 months . No firm plans to reduce reliance on interims. Staff not all qualified to perform roles. 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. 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.	Excellent	Finance team fully staffed. Low staff turnover. Staff well trained and qualified where appropriate. CFO also responsible for organisational training and training is high priority within department. CPD in place and all staff have PDPs and training opportunities. CCG also has employer accreditation from all CCAB bodies.	None	N/A	Not applicable	Not applicable	Not applicable
		Commissioning support services (mark as N/A if no CSU support)	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 clearly 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, but detailed service specifications and/or 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.	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.	Good	Signed contract for CSU in place with detailed specifications and KPIs in place. Good working relationship in place with regular feedback given. Some of the CSU services are very good but others have outstanding issues to be resolved and require improvement.	CCG undertaking work to re-procure CSU within framework for implementation from 1/4/16. Need to continue to work with CSU to improve service provision where it is below standards expected.	31/03/2016	The procurement is ongoing and therefore no further comment can be made concerning this process. The CCG continues to work with the CSU on areas where performance is not as expected. Comments are made on KPIs received and comments are made on monthly performance ratings. The CCG discussed issues at monthly meetings and the CCG's CO leads this area on behalf of SL.	Additional concerns have been raised by CCGs given the current financial position of the CSU and the risk of losing staff via the voluntary redundancy programme. This needs to be monitored to prevent further service disruption.	No change
17	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. Chair is supported by a suitably qualified lay member. 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, focussed 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 review 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 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 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 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.	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.	Excellent	Committee structure is robust and has been reviewed by IA and found to be fit for purpose. There are separate finance and audit committees and each has different, suitable chairs. The AIAC Chair is a qualified accountant and they are supported by other GB members including a GP. Training has been arranged for w/c 27/7/15 for all AIAC members. T&R are in place and have just been updated and meetings are held in accordance with these. Decisions taken are within the committee's remit. There is constructive, focussed and relevant challenge at the meetings. A summary of each meeting, as well as an annual review, is prepared by the chair and reported to each GB. An annual report on Financial Governance and Financial Management is also provided to the AIAC for scrutiny and to provide assurance of controls in place.	None	N/A	Not applicable	Not applicable	Not applicable	Not applicable
		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 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 works actively to improve the skills and experience of lay members. 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 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 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.	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.	Excellent	no actioning or recommendations; any responsible officers, is kept and this is reviewed at every meeting to ensure that recommendations are implemented within agreed timescales. Audit committee are made aware of progress with audit recs via internal Audit reports. This details those that have been cleared, outstanding and not yet due. The Audit Committee sees and reviews all IA reports and agrees the IA plan, both of which are presented by IA directly. The Chair invites both IA and EA to meet with him, without management, at every meeting. IA & EA also know that they can independently contact the audit chair for a discussion if they deem it necessary. The Chair has ensured that all members of the Audit Committee are given the Audit Committee handbook and a guide on CCG Annual Accounts and Annual report. The Chair has also asked for specific financial training for all members, which is to be held w/c 27/7/15. Service Auditor reports are presented to the Audit Committee by the CSU (i.e. not by management). A summary of each meeting, as well as an annual review, is prepared by the chair and reported to each GB. An annual report on Financial Governance and Financial Management is also provided to the AIAC for scrutiny and to provide assurance of controls in place.	None	N/A	Not applicable	Not applicable	Not applicable	Not applicable
18	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 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 works actively to improve the skills and experience of lay members. 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 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 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.	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.	Excellent	no actioning or recommendations; any responsible officers, is kept and this is reviewed at every meeting to ensure that recommendations are implemented within agreed timescales. Audit committee are made aware of progress with audit recs via internal Audit reports. This details those that have been cleared, outstanding and not yet due. The Audit Committee sees and reviews all IA reports and agrees the IA plan, both of which are presented by IA directly. The Chair invites both IA and EA to meet with him, without management, at every meeting. IA & EA also know that they can independently contact the audit chair for a discussion if they deem it necessary. The Chair has ensured that all members of the Audit Committee are given the Audit Committee handbook and a guide on CCG Annual Accounts and Annual report. The Chair has also asked for specific financial training for all members, which is to be held w/c 27/7/15. Service Auditor reports are presented to the Audit Committee by the CSU (i.e. not by management). A summary of each meeting, as well as an annual review, is prepared by the chair and reported to each GB. An annual report on Financial Governance and Financial Management is also provided to the AIAC for scrutiny and to provide assurance of controls in place.	None	N/A	Not applicable	Not applicable	Not applicable	Not applicable