

HfMA Improving NHS Financial Sustainability Checklist

Audit Outcomes & Insights Briefing

March 2023



Members of The Internal Audit Network

Introduction

- The focus on financial sustainability has never been greater, a recent HfMA survey¹ reported that almost all Directors of Finance rated the financial challenge in 2023/24 between eight and ten (on a scale where one is achievable and 10 is impossible).
- In April 2022 the Healthcare Financial Management Association (HFMA) produced a briefing *Improving NHS financial sustainability: are you getting the basics, right?* The briefing included a detailed checklist for organisations to use as a self-assessment tool.
- NHS England (NHSE) issued guidance that required organisations to commission from their internal auditors a review of the completed self-assessment. The NHSE guidance specified the process to be undertaken locally. It also set out the scope and the timing of the internal audit review.
- MIAA and 360 Assurance (who are part of The Internal Audit Network – TIAN) have completed the NHSE mandated work on their self-assessments against the HfMA checklist.
- Internal Audit were required to:
 - Confirm that the self-assessment was fully completed
 - Confirm the self-assessment had been approved in line with guidance
 - Review a sample of 12 areas covered by the checklist (as identified by NHSE)
- This Insight provides an overview of the findings from the NHSE directed internal audit review undertaken against the HFMA's checklist. The findings are based on final reports issued by MIAA and 360 Assurance.
- The aim of this Insight is to share these findings so that organisations can consider good practice and learning and provide peer challenge.
- Section 3 summarise areas of learning and good practice against each of the 12 areas reviewed by Internal Audit.

1. Self-Assessment Completion

In collating the audit results, we identified a number of common themes from our reviews of the completed self-assessments:

Areas of Good Practice

- Utilised as development exercise
- Team approach and consultation with stakeholders
- Approval through executive team
- Audit Committee oversight
- Action plans provided
- Good opportunity to stocktake against financial controls and governance
- Opportunity to benchmark against peers
- Opportunity to assess arrangements and triangulate against organisational risk and financial position

Areas for Enhancement / Further Consideration

- Missing scores for some questions
- Rationale for score not always clearly articulated
- Gaps in the action plan relating to improvement actions, responsible officers and timescales. Often not SMART
- At times, contradiction between scoring and financial position / associated risks
- Verbal rather than written approval for submission given by the Finance Director
- Role of the Audit Committee not aligned with NHSE Guidance
- The Audit Committee not assigned responsibility for oversight to assess progress with implementing actions

2. Assessment of Scores / Evidence



- Significant majority of organisations' self-assessments against the 12 questions reviewed by internal audit were deemed to be reasonable*
- Finance teams and Internal Auditors worked together to improve the quality of evidence required
- Areas which had the most '5' scores, indicating maturity of arrangements:
 - Board sign off
 - Board reporting
 - Financial governance framework
- Areas which had the fewest '5' scores, indicating a need for focus:
 - Budget reporting and monitoring
 - Forecasting
 - CIP delivery and monitoring

3. Key Themes

Theme	Question	Good practice and learning from reviews undertaken
A: Business & Financial Planning	<i>A5: Are financial plans subject to challenge/ sense/ quality check, for instance reviewed against historical run rates of expenditure or expectations from initial planning and differences satisfactorily explained?</i>	<ul style="list-style-type: none"> • Methodology applied clearly set out within budget setting procedure notes • Routine quality checks in monthly and year end processes • Clinical involvement in financial planning and ongoing review of financial performance with divisions • Financial planning assumptions reviewed with the aid of Intelligent Fixed Payment (IFP) system • Financial plans subject to Executive led “confirm and challenge” sessions • Analysis and commentary provided to explain movement from previous iterations of the plan • Formal sign off meetings for financial plans involving divisions and executive directors • Use of a triangulation tool which considered finance, workforce and performance metrics – any anomalies were investigated. Process was chaired by an independent Finance Director. • Use of financial bridging to reconcile the underlying recurrent plan to the current year financial plan so that the non-recurrent position was clearly communicated • Clarity on the role of the Board and Finance Committee to scrutinise financial plans and monitor progress including NED scrutiny and challenge of assumptions • Presentations for Boards and Finance Committees including different scenarios and clear explanation of financial risks

Key Themes

Theme	Question	Good practice and learning from reviews undertaken
A: Business & Financial Planning	<i>A9: Has there been a robust process for the development of cost improvement / waste reduction plans?</i>	<ul style="list-style-type: none"> • Use of CIP trackers which were regularly reported to operational groups for monitoring and action and also reported to Finance Committee for scrutiny, challenge and oversight • Clear identification of a group that oversees CIPs • A CIP Council had been set up to encourage new ideas for CIP – these were reviewed and approved via Datix and all were subject to a QIA process • PMO approach adopted ensuring clinical engagement • Process aligned with the organisations business planning framework • Well documented process • Programme briefs for all schemes, including QIA • Clear engagement with divisions: bottom up approach
B: Budget Setting	<i>B3: Have financial budgets been agreed and signed off by all budget holders / managers? Does sign-off also include confirmation that the budget accurately reflects agreed operational targets the underlying resources, in terms of staff as well as supplies and services, needed to deliver those targets?</i>	<ul style="list-style-type: none"> • Documented process for sign off • Budget principles and sign off processes agreed with clinical leaders and executive leads • Evidence of sign off • Budget development aligned to operational targets / business planning framework • Risks clearly documented within budget sign off papers • Use of a budget sign off tracker

Key Themes

Theme	Question	Good practice and learning from reviews undertaken
		<ul style="list-style-type: none"> Initial CIP plans presented by divisions to an Executive Panel to triangulate plans across the organisation and provided support and challenge
B: Budget Setting	<i>B5: Has the board formally agreed the organisational budget for the year, along with the main assumptions behind it?</i>	<ul style="list-style-type: none"> Material changes/iterations reported to the Board that linked to the agreed budget setting approach and aligned to key assumptions Clear budget setting timetable communicated to budget holders with good lead times built into the process Agreement clearly documented in Board and committee minutes Detailed assurance reports from finance committees to Board
B: Budget Setting	<i>Is there a formal process in place to agree the authorised establishment?</i>	<ul style="list-style-type: none"> Workforce plan SFIs set out details of funded establishment and the process for changes to the establishment Documented vacancy control process Regular reports on agreed establishment levels throughout the year Vacancy requests considered by an Established Control Panel who approved any changes to the establishment and this approval was evidenced in the TRAC system Vacancy received financial sign off prior to going out to advert Nurse Staffing Establishment check was completed twice a year to confirm funded establishment. Nurse staffing budgets aligned with the financial ledger Reconciliation between ESR and budget system

Key Themes

Theme	Question	Good practice and learning from reviews undertaken
		<ul style="list-style-type: none"> • Regular reports of unfunded posts • Monitoring included in budget holder meetings
C: Budget Reporting & Monitoring	<i>C2: Do budget reports provide detailed analysis of expenditure on a month by month basis (run rates over a period of time)? Does the report provide sufficient information to identify the reason for variances?</i>	<ul style="list-style-type: none"> • Ability to drill down budget reports allowed budget holders to link expenditure with performance • Commentary provided on variance reports along with a RAG rating on delivery • Monthly budget reports sent by working day 7 to all budget holders • Run rates included in monthly reports • Clarity on recurrent and non recurrent positions
C: Budget Reporting & Monitoring	<i>C4: Do budget managers formally review their performance each month and develop remedial action plans that are followed up?</i>	<ul style="list-style-type: none"> • Clearly documented meetings including review and monitoring of actions / progress • Live system access for budget holders allowing real time monitoring • Monitoring of service developments included within the process • Deep dive exercises carried out with divisions and Finance Business Partners to address adverse performance and agree remedial action plans with regular follow up • Finance and Performance Committee sought actions plan updates from Care Groups
D: Forecasting	<i>D5: Are financial forecasts triangulated with activity, workforce and other forecasts?</i>	<ul style="list-style-type: none"> • Documented process around forecasting • Clarity within divisions each month about what changes are expected in the future

Key Themes

Theme	Question	Good practice and learning from reviews undertaken
		<ul style="list-style-type: none"> Use of forecasting module linked to the ledger. Budget module used for activity, financial and workforce forecasting Use of visuals and graphics to communicate position on financial forecasts to Finance Committees
E: Cost Improvement / Efficiency Plans	<i>E9: Is there a processes to monitor the delivery of CIPs and escalate where material delays or an inability to deliver becomes apparent, including a set of KPI's to monitor delivery?</i>	<ul style="list-style-type: none"> CIP performance risk assessed including QIA impact –provided focus for scrutiny meetings Clear methods in place to use milestones set out within CIP briefs to monitor progress Milestones routinely reported through the governance structure Clear governance structure in place to monitor monthly and escalate to Board
F: Board Reporting	<i>F6: Are financial risks explicitly captured in the corporate risk register discussed and plans developed?</i>	<ul style="list-style-type: none"> Dedicated agenda item for financial risks at the Risk Management Committee Use of Trust wide Risk Management Systems e.g. DATIX to capture risks Range of financial risks recorded on risk registers Clarity on the escalation process for financial risks when the risk score exceeds an agreed level Evidence of discussion and update of risks and actions
G: Financial Governance Framework	<i>G4: Is there a programme of independent assurance that financial governance arrangements are being compiled with?</i>	<ul style="list-style-type: none"> Regular report to Audit Committee of internal and external audit actions Review and reporting of non-purchase order spend and whether it was in line with agreed expectations

Key Themes

Theme	Question	Good practice and learning from reviews undertaken
		<ul style="list-style-type: none"> • Compliance with tender waivers and losses and compensations • Explicit reporting on SFI breaches through Audit Committee • Internal audit identified as third line assurance and had a programme of reviews to assess compliance of first and second line assurances which were set out in the SFIs and Scheme of Delegation • Use of a monthly financial governance checklist to assess compliance with financial governance arrangements - results were scrutinised by the Resources Committee • Audit Committee prioritised ensuring that action was taken on implementing agreed internal audit recommendations
H: Culture, Training & Development	<i>H1: Is there a clear tone from the top that promotes the importance of sound financial management and the importance of achieving financial targets?</i>	<ul style="list-style-type: none"> • Organisation's strategy and values includes financial management, use of resources and/or efficiency • Financial performance prominent in Trust team brief • CEO provided direct messaging to staff on financial management and progress to targets • Series of bitesize videos available on the intranet on topics such as "why we get budget holders to sign off on budgets" • Care Groups reported directly to Finance and Performance Committee • Lunch and learn sessions covering CIP held and open to all staff to attend. • Financial management responsibility included in appraisals

4. Challenge Questions for the Audit Committee

1

Did the Audit Committee have sufficient oversight of the assessment process?

2

Are you assured that the actions identified both as part of the self-assessment and internal audit are being progressed?

3

Did you identify any areas for review and development against your scores and the benchmarked scores?

4

Are there any themes in the checklist where your organisation is scoring lower than the benchmark where a deep dive could help to improve control arrangements?

5

Are there any areas where a revisit would be beneficial to ensure controls have improved?

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