

# Board Assurance: A toolkit for health sector organisations

Do we really know what we think we know?





# Contents

<b>Foreword</b>	<b>3</b>
<b>1.0: Introduction</b>	<b>5</b>
<b>2.0: Core aspects of board assurance arrangements</b>	<b>6</b>
2.1: What is a board assurance framework?	6
2.2: What is meant by 'assurance'?	7
2.3: What is assurance mapping?	7
2.4: Why should we do assurance mapping?	8
<b>3.0: Practical development of the board assurance arrangements</b>	<b>10</b>
3.1: Step 1: Understanding	11
3.2: Step 2: Methodology	12
3.3: Step 3: Implementation	18
3.4: Step 4: Management information	20
<b>4.0: Concluding comments</b>	<b>24</b>
<b>Appendices</b>	<b>25</b>
Appendix: Board assurance arrangement preparedness assessment	25



# Foreword

Assurance goes to the heart of the work of any NHS board of directors. The provision of healthcare involves risk and being assured is a major factor in successfully controlling risk. Assurance is the bedrock of evidence that gives confidence that risk is being controlled effectively, or conversely, highlights that certain controls are ineffective or there are gaps that need to be addressed.

The board assurance framework (BAF) brings together in one place all of the relevant information on the risks to the board's strategic objectives. It is an essential tool for boards, but like all tools it needs to be used with skill and diligence. This publication will provide boards with the means to identify whether their BAF remains fit for purpose and if not, to change it to conform to the best current practice. It provides an effective methodology for boards to help them use their BAF productively so that they have real confidence that they are providing thorough oversight of strategic risk. We hope that it will be essential reading for those who specialise in the field of risk and assurance as well as company secretaries and chairs.

**John Coutts**

**Governance Advisor at NHS Providers**

The UK Government and tax paying public want more from the current spend and investment in health and social care services and this viewpoint applies regardless of whether the services are provided by public or private sector providers.

On the ground this has been translated by patients, clinicians, board members, commissioners, regulators and the

Government to needing more joined up services - where patient centred care is delivered seamlessly along the patient journey and the best possible health and wellbeing outcomes are achieved.

All this needs to happen within an environment of increased scrutiny post-Francis, hard financial realities and increased pace of change.

The nature of today's context means inevitably that boards of healthcare organisations face significant strategic challenges. Amongst others these challenges include increasing complexity, a necessity to innovate, newly established cross-organisational operations and improved working relationships and governance within health economies, as well as more effective communication and better information sharing.

Executive and non-executive board members need to be comfortable that whatever the particular strategic context their organisation faces that it does deliver on its strategic objectives and manages risk without losing sight of maintaining quality and safety levels throughout the whole of their care service profile. In essence this is where regulatory scrutiny around board assurance needs to be delivered in practice.

Boards do not deliver strategy and manage risks by themselves however they retain overall responsibility for all decisions. Discharging a Board's responsibility and retaining oversight should naturally lead board members to regularly test and challenge their current understanding of the internal and external environment within which they operate and ensure that they have effective horizon scanning and risk capture processes in place to provide confidence that the Board is fully sighted on its key strategic risks.

Having robust and proportionate assurance arrangements in place is a highly effective means of providing that comfort to boards - whilst also helping to direct scarce resource investment (time, effort and money) in assurance activities. This forms a logical extension of your existing governance, risk management and internal control arrangements, as well as helps to meet regulatory requirements for all UK health and social care providers.

I would therefore encourage all board members to ask themselves the question: 'Do we really know what we think we know?'

**Mike Gill**

**Consulting Head for Health Sector at Baker Tilly**







## 1.0 Introduction

The well led framework developed by Monitor, CQC and the Trust Development Authority requires the boards of all provider organisations to ensure there is an effective and comprehensive process in place to identify, understand, monitor and address current and future risks. It extends to include a board assurance framework being in place, which is assessed by the board, reflecting risks to the initiatives in the strategic plan.

The above requirement forms part of the relevant governance codes and frameworks and is applicable to all providers of health and social care services in England whether the entity is private, public sector, not-for-profit or charitable.

As an advisory firm, Baker Tilly has assisted many clients to develop assurance frameworks to suit their particular needs, but most of all to ensure that they are better positioned to understand and mitigate risk and achieve their objectives, and of course be assured that this is the case.

We have developed this toolkit to further aid understanding in the sector, share our experience with you and provide support to the sector through the provision of the toolkit and our expertise to assist the successful implementation and roll out of effective board assurance arrangements within the England health and social care sector.

## 2.0 Core aspects of a board assurance arrangements

### 2.1 What is a board assurance framework?

The HM Treasury Guidance on Assurance Frameworks (2012) defines an assurance framework as:



An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect.



It is common practice across the UK public healthcare sector for the term 'board assurance framework (BAF)' to be used to refer to the key document used to record and report an organisation's key strategic objectives, risks, controls and assurances to the board.

It could be argued that a board assurance framework (as defined by the HM Treasury guidance as referred to above) should represent the total arrangements in place for managing an organisation's assurances and not just an output produced for the board.

However, for the purposes of this toolkit we shall use the term 'Board Assurance Framework' to refer to the key document that is presented to a board and use the term 'board assurance arrangements' to refer to the wider mechanism for managing an organisations assurances.

The development of board assurance arrangements should be a logical extension of an organisation's existing risk management arrangements. It is important therefore that you are satisfied with how your board and audit committee understands and implements risk management, and that you maintain an informed engagement with the risks and opportunities that it faces. If these arrangements are effective they will help you to understand the process and control environment, and help you answer the core questions:

- What do we want assurance over?
- How much assurance do we need?

Developing and maintaining board assurance arrangements is not, and should not be, a separate activity, but rather an embedded tool of management. As a natural extension of risk management, it would be reasonable to incorporate your board assurance policy and procedures into your risk management documentation, therefore ensuring that risk, control and assurance identification and monitoring processes are considered as one and not disparate activities.

## 2.2 What is meant by ‘assurance’?

The word assurance is used a lot in everyday language and can mean different things to different people. It is important that everyone involved in developing, implementing and maintaining the board assurance framework and arrangements is clear on what is meant by assurance for their own organisation, and where assurances come from.

Assurance	Definition
<b>Provides:</b>	‘Confidence’ / ‘Evidence’ / ‘Certainty’
<b>To:</b>	Directors / Non-executives / Management
<b>That:</b>	What needs to be happening is actually happening in practice

In order to frame the debate about assurance the question the board, audit committee and management should be asking themselves is: ‘Do we really know what we think we know?’

## 2.3 What is assurance mapping?

Assurance mapping is a key part of developing and maintaining board assurance arrangements and producing a BAF. It provides an organisation with an improved ability to understand and confirm that they have assurance over key controls or where control gaps exist and whether actions are in place to address these gaps. The assurance mapping process and the way of illustrating the results using a BAF can give confidence to management and the board that they ‘really know what they think they know’.

The assurance mapping process identifies and records the key sources of assurance that inform board members of the effectiveness of how key strategic risks are managed or mitigated, and of the key controls and processes that are relied on to manage risks and as a result support in the achievement of your organisations strategic objectives.

Sources of assurance could include, but are not limited to:

- Reviews or checks within a department (e.g. manager reviews information completed by staff under their particular area of responsibility)
- An organisation wide review (e.g. corporate review of sickness and absence);
- Internal audit reports; or
- Inspection and review by an external body (e.g. CQC).

The above examples are far from exhaustive and when you start looking you will find that you receive assurances from a whole host of sources, both internal and external. In section 3 we will introduce the three lines of assurance model that provides definition to the different layers of assurance that organisations can typically have in place.

When challenging assurance information at a board level, the questions you should continually ask yourself are:

- Where does the assurance come from?
- How reliable is this assurance?
- What is this assurance telling me? and,
- Is the assurance proportionate to the level of risk?

## 2.4 Why should we do assurance mapping?

Everyone has believed, or assumed at some stage, that because something negative has not happened that the ‘controls’ in place must be working.

But how many times have we read in the press of financial, quality, safety, safeguarding or fraud issues arising at organisations that seemingly had controls in place to manage risks? In many of these cases controls were in place to manage the risks, but assurance was not obtained that they were being applied effectively.

If something did go wrong, or an opportunity is missed, could we find ourselves saying ‘why did that happen?’ or ‘how did that happen?’ or ‘I thought X had done it’ or ‘who checked that Y was done?’

When the annual governance statement is being prepared to be published and the agreement sought to sign the annual accounts, how do we really know that the internal controls are working effectively? What will be the consequences if they are not effective?

With the exception of internal and external audit each organisation has the freedom to decide on where it obtains or receives assurance from. The board, audit committee and management team need to be able to consider what constitutes an appropriate source of assurance. But how should organisations make that decision? By developing a board assurance framework and understanding the assurances the board requires then boards can make that informed and defensible decision.

However, developing a board assurance framework, and particularly the assurance mapping process, needs resources (mainly time), so it is important to understand what the challenges are to management, audit committees and boards in the sector, as outlined below.

Fig 2.4.1 outlines the challenges that a BAF can address for each key stakeholder. This is not an exhaustive list by any means, but provides an initial indicator as to the importance of board assurance arrangements.

Fig 2.4.1 Stakeholder challenges addressed by the BAF

Management	Audit Committee	Board
What assurances do they have that processes and controls are effective that will result in achievement of corporate objectives?	Provide advice to board on the status of governance, risk and internal controls – Where do they get their assurances from?	Collectively responsible for setting strategy, ensuring good stewardship and decision making. Must provide an opinion each year within the statement of corporate governance and internal control.



The effective application of board assurance arrangements to produce and maintain a BAF will help management and the board to consider collectively the process of securing assurance using a formal process that promotes good organisational governance and accountability, the specific benefits include:

- Gaining a clear and complete understanding of the risks faced by the organisation in the pursuit of its strategic objectives, the types of assurance currently obtained, and consideration as to whether they are effective and efficient;
- Identifying areas where assurance activities are not present, or are insufficient for your needs (assurance gaps);
- Identifying areas where assurance is duplicated, or is disproportionate to the risk of the activity being undertaken (i.e. there is scope for efficiency gains, reduction of duplication of effort and/or a freeing up of resource);
- Identifying areas where existing controls are failing and as a consequence the risks that are more likely to occur;
- The ability to better focus existing assurance resources; and

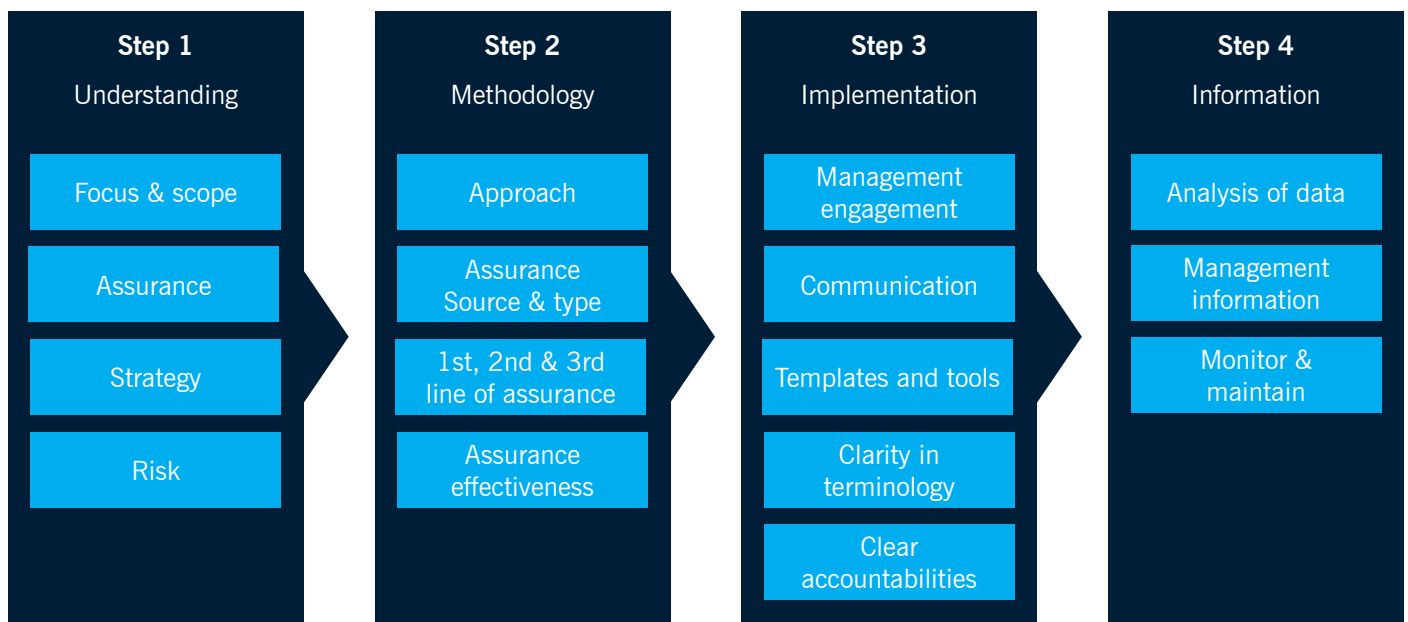
Providing an evidence base to assist the organisation in the preparation of its annual governance statement.



## 3.0 Practical development of assurance arrangements for boards

There are four key steps to developing the board assurance arrangements, as outlined below.

**Fig 3.0.1: Board assurance arrangements steps**



## 3.1 Step 1: Understanding

### Focus and scope

The purpose of assurance arrangements is to help an organisation determine how it will gain assurance over the effectiveness of controls that the organisation relies upon to achieve its objectives. For example, in healthcare service providers a set of key strategic objectives could have an objective that relates to providing safe, quality and patient-centred care services. There is a significant amount of inherent risk associated with providing care services, therefore boards will want to ensure themselves that they receive assurance that the controls associated in delivering safe care pathways are working and that the risks are being managed. It is important therefore that the scope of the assurances is set in the context of the organisation's strategic objectives.

### Strategy

Setting the organisation's strategic objectives, and then seeking assurances around the operation of controls and processes aimed at delivering those objectives, is an iterative process as the assurances received can be used also to inform and revise the objectives set. In the first instance, and we suggest initially at a reasonably high-level, organisations will need to think about what they need assurance for in terms of strategic objectives and the key control processes that ensure delivery of 'business as usual (BAU)' activities.

### Assurance

This toolkit should aid the understanding of what assurance and assurance mapping is, and how to tailor it to meet your organisation's needs. It is important that the understanding of assurance is developed across the organisation as this will contribute to the buy-in from those involved, consistency in the application of processes and the production of good quality management information.

### Risk

Take a look at how your organisation understands and implements risk management. Challenge the risks and opportunities that the organisation faces. Does the board, audit committee and the management team understand the process and control environment that you seek assurance over? When you start to map assurances, what risks are you going to cover: all risks? only strategic? only business as usual? or a mixture of both?







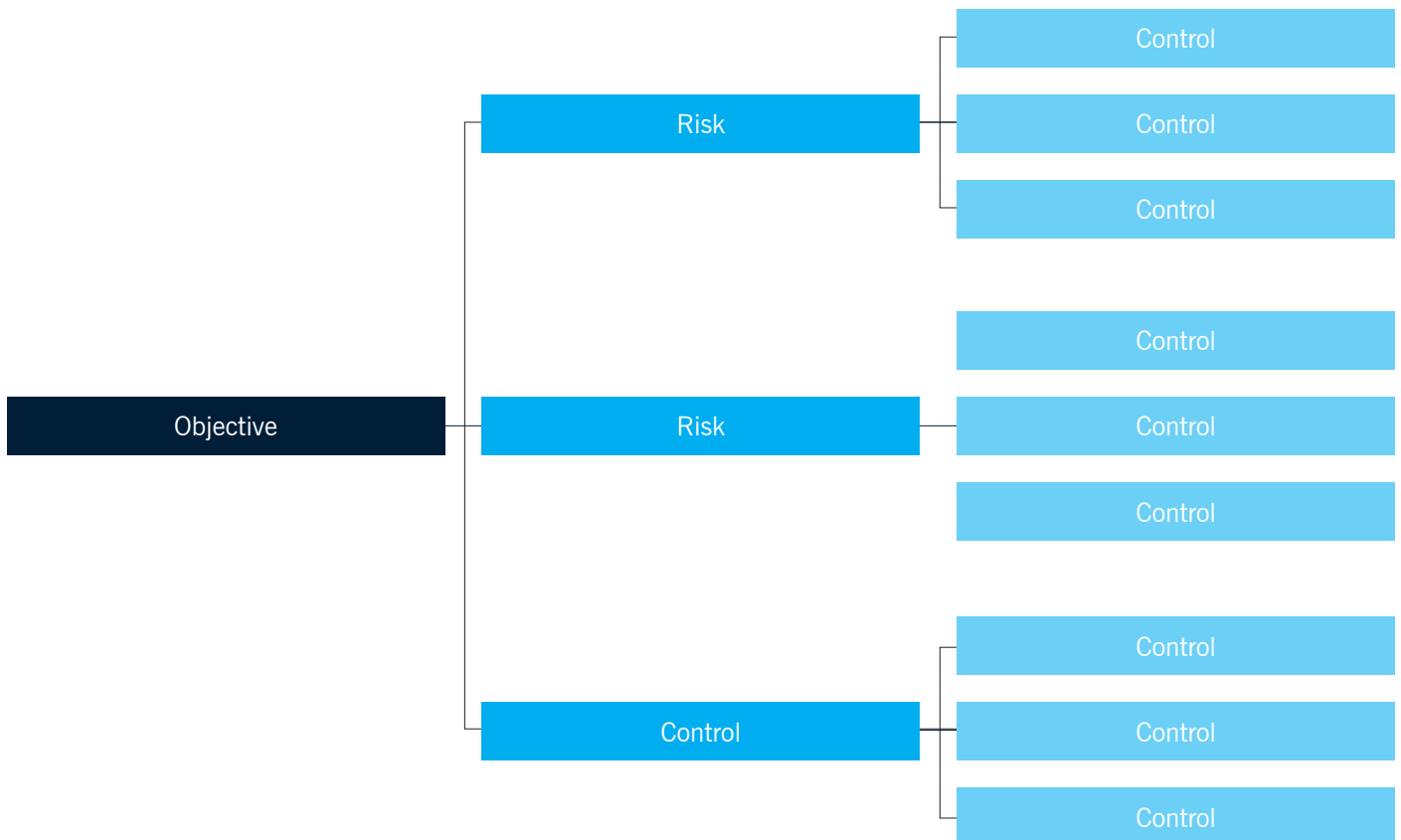
### 3.2 Step 2: Methodology

There are two methodologies available on which to base the board assurance arrangements; risk based and process based. A process focused approach to risk management has already been present in the NHS for many years, therefore we concentrate below on the risk-based approach.

The risk based approach looks at providing assurance over the key controls in place that mitigate the strategic or key risks that threaten (or provide opportunity for) achievement of your objectives, and should build on the foundation laid by your existing risk management process. This risk based approach is illustrated as a tree of data, with branches expanding to become your identified controls (see Fig 3.2.1).

In taking the risk based approach it is worth asking the question ‘does your strategic risk register include all the significant risks that the organisation faces?’ One way of helping to answer that question is to consider each of the risks identified and appraise whether they are ‘business as usual’ or ‘exceptional’ risks. We have provided definitions in Fig 3.2.2.

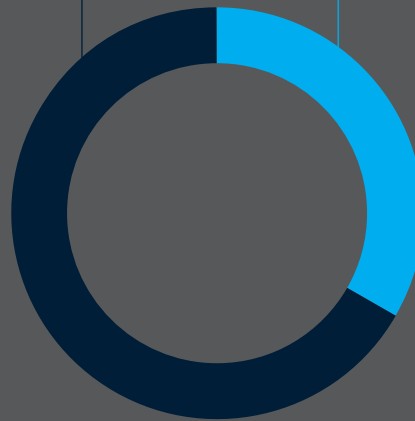
Fig 3.2.1: Objective, risk and control tree



**Fig 3.2.2: Business as usual risk versus exceptional risk**

#### Business as Usual (BAU)

- Be a risk that is managed through existing corporate processes i.e. control framework (largely consisting of communication, leadership, policy and procedures, quality, assurance, staff, competence, supervision).
- Be corrected through the rectification of an existing control.
- Monitoring focuses on assurances in place.



#### Exceptional

- Have a finite life.
- Require the establishment of a new or enhanced risk mitigation/control.
- Upon mitigation becomes business as usual.
- Managed at appropriate level through either strategic or operational risk registers.

Those risks that are BAU typically make up the larger part of the risk profile that an organisation needs to manage. They may not be risks that you need to take a specific action on, or in a required time frame, but are the ones where organisations rely on the continuing operation of a sound and established control framework being in place. It is as valid to seek assurance for BAU risks as it is exceptional risks, but these are not always reflected on risk registers. In particular, in times of organisational change, business as usual risks can often get overlooked as management and directors and non-executives focus on the change(s) at hand.

The structure of your risk data should include the following key elements in order to provide a strong foundation for the assurances to be mapped and to assist in prioritising of resources:

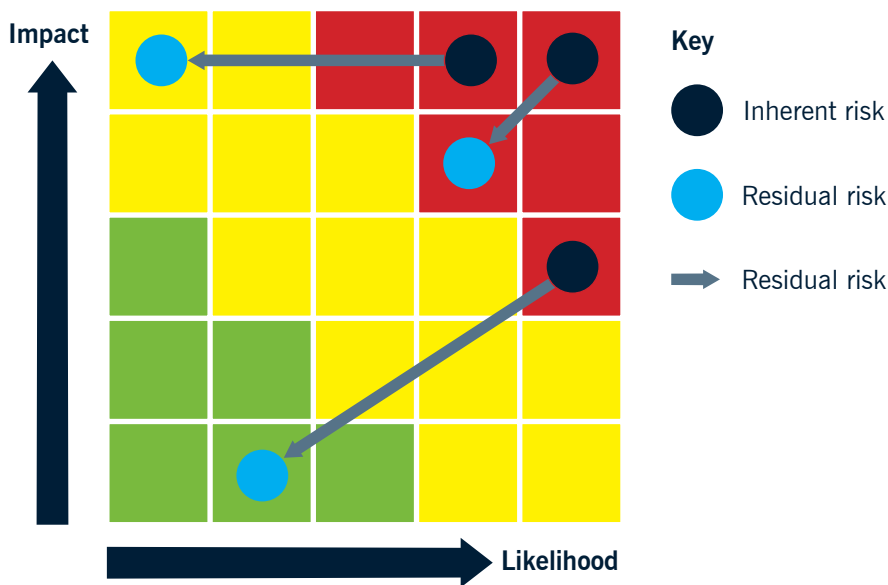
- Clear and concise risk descriptions;
- Risks explicitly aligned or linked with strategic objectives;
- Detailed cause and effect analysis;
- Detailed list of key controls;
- 'Inherent' (gross) assessment (before controls) and 'residual' (net) assessment (after controls) of the risk; and
- Details of planned action and implementation dates.

If you are in a situation where you are satisfied that the risk data you hold is sufficient then you can start to record the sources of assurances for each of the controls. Before you start mapping assurances for all existing controls it is sensible to prioritise what to focus on, especially as resources are finite and the board assurance framework should be seen as adding, not detracting value.

The majority of the risk management frameworks we come across prioritise risks using simple 5x5 impact and likelihood scoring and grading structures such as high, medium, low or a RAG rating (red, amber, green). This is where the inherent and residual assessments are invaluable as they provide the driver for whether an organisation should seek assurance, or focus attention on taking further action to manage the risk.

The risk matrix (heat map) Fig 3.2.3 illustrates the profile of a set of risks. Each risk is represented with a pair of circles. The dark blue circle represents the inherent risk classification and the pale blue circle represents the residual risk classification.

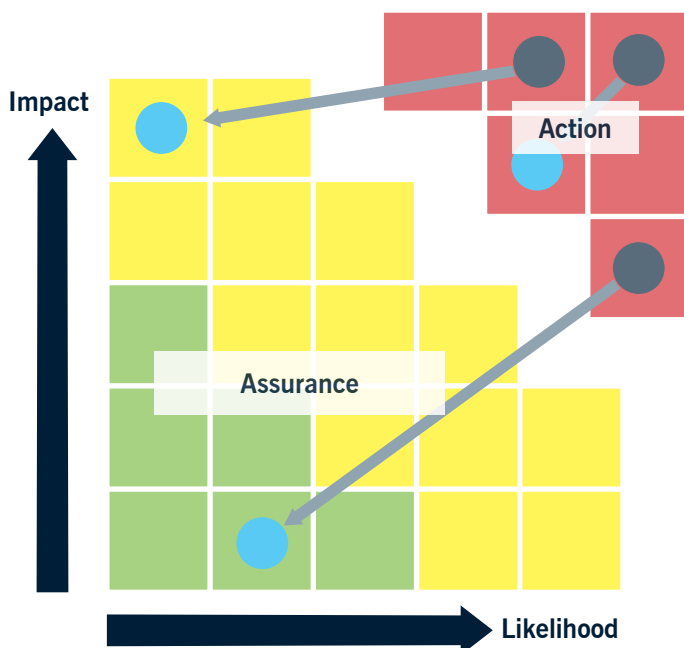
Fig 3.2.3: Heat map



What the heat map shows is that the (residual) risk in the ed sector requires the organisation to take action (where possible) to further mitigate the risk. Those (residual) risks that fall within the amber and green sectors are those risks that have been mitigated through the application of existing controls. Therefore the focus should be on (1) deciding if the residual risk is now within the organisation’s appetite/ tolerance for that risk; and then (2) either identifying further action to minimise the risk (if not within risk appetite), or obtaining assurance over the effectiveness of controls in place (if the risk is accepted).

So what does this heat map tell us in the context of where the Board should seek assurances and therefore should be assurance mapping? To help we have split the heat map into two sections, as illustrated in Fig 3.2.4.

Fig 3.2.4: Heat map – Obtain assurance or take action



The heat map also highlights that the greater the difference in locations between the Inherent score and the Residual score of a risk, the greater the contribution that the existing controls have in mitigating the risk the organisation is exposed to. Therefore, to further prioritise where to seek assurance, you could look at the risks that have moved furthest from the highest Inherent score to the lowest Residual score. i.e. where greater reliance is being placed on controls.

The inherent and residual risk scores can also help you decide on the frequency that you require assurance, and whether independent assurance is required to provide the board with the desired level of comfort. This allows you to identify the assurance appetite of the board. The table at 3.2.5 is an example of this in practice:



**Table 3.2.5: Suggested risk classification drivers for assurance**

Inherent risk classification	Residual risk classification	Action and/or assurance activities
High	High	Management attention should be focused on implementing actions to improve existing controls or introduce new ones within an agreed timescale.
	Medium	Sign off of the existing control effectiveness by management and monitor progress of the implementation of further mitigating actions. Independent assurance obtained within the next six months.
	Low	Sign off of the existing control effectiveness by management. Independent assurance obtained within the next six months.
Medium	Medium	Depending on the organisation's risk appetite and ability to further influence risk mitigation attention should be focused on identifying and implementing actions within the next six months.
	Low	Six monthly sign off of the existing controls effectiveness by management. Independent assurance obtained within the next 18 months.
Low	Low	Little/no assurance required.



**Sources and types of assurance**

What sources of assurance are there? Below are examples of assurance sources that a particular activity, process or control is operating as expected.

**Fig: 3.2.6: Examples of sources of assurance**

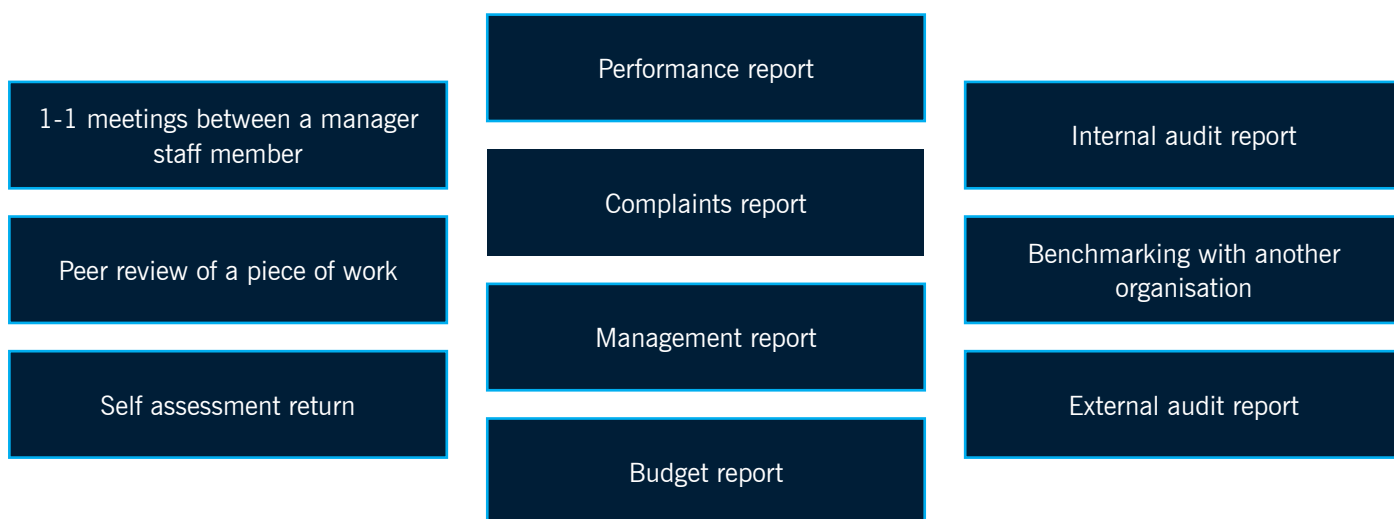


Table 3.2.7 covers some of the different types of assurances that are available and already embedded in to an organisations day to day management.

**Table 3.2.7: Examples of types of assurance**

Type	How it provides assurance
Meeting/discussion	Often these provide opportunities for management to ask questions about how things are going. The assurance could be based on a person’s word or notes of meetings.
Checks (sometimes this can be a peer review of work or even a walk around a site)	A quality check that something has been completed based on visual or substantive evidence.
Reports	These could be regular reports, such as performance information or monthly finance reports that provide management information that will indicate how a control may be being applied, based on outcomes.

Most of these types of assurance will be evidenced (for example meeting minutes, checklists, written reports) whilst some may be more informal (such as a 1-1 discussions).

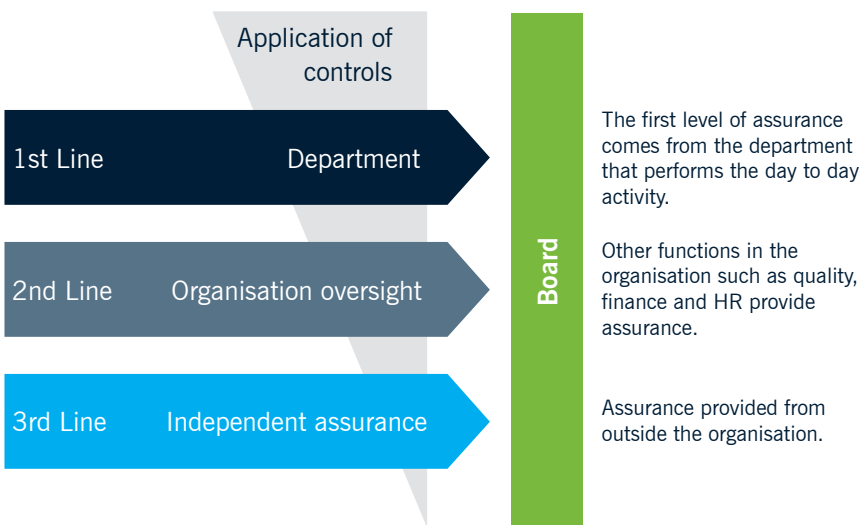
And, it is possible to further map and classify these types of assurance to better understand how reliable the assurance is in relation to where the assurance comes from within the organisation this is often referred to as the three lines of defence, or three lines of assurance model in this context.

**1st, 2nd and 3rd lines of assurance**

Understanding where assurance comes from will help provide a clearer picture of where the organisation receives assurance and whether it has too much, is duplicated, or has none at all, and whether the coverage of assurances is set at the right level to provide confidence to the board. You may also want to consider the independence of any assurance provided in terms of how much reliance or comfort you can take from it.

The assurances that an organisation receives can be broken down into the three lines model as illustrated below.

**Fig 3.2.8: The three lines of assurance**



**Control effectiveness**

Once you have identified a source of assurance you need to then establish what it is telling you about the effectiveness of the risk(s)/control(s) it covers. The level of control effectiveness at the first and second line may be subjective as it may be provided through a self-assessment approach i.e. by the person(s) receiving the assurance or responsible for the controls or even silent in the case of minutes of meetings/outcomes of meetings unless expressly referred to.

At the third line, it is common for independent assurance providers to issue a form of opinion or view (assurance) as to the design, operation and level of effectiveness of the controls reviewed. For each source of assurance that is identified you can then rate what it tells you about the effectiveness of the controls.

**Table 3.2.9: Suggested control effectiveness ratings**

<b>High</b>
Full assurance provided over the effectiveness of controls.
<b>Medium</b>
Some assurances in place or controls are still maturing so effectiveness cannot be fully assessed at this moment but should improve.
<b>Low</b>
Assurance indicates poor effectiveness of controls.



### 3.3 Step 3: Implementation

#### Management engagement

It is likely that assurance mapping will involve most members of the senior and middle management teams at some point, and therefore their support and engagement with the process is essential.

#### A key part of engagement is in the understanding and making assurances real

In our experience, undertaking a pilot exercise with a small number of risks from your risk register and mapping the assurances already in place over the key controls aids understanding on how the process works and also encourages people to focus, at least initially, just on the key risks that they are already familiar with and understand.

#### Identify the roles and responsibilities around assurance

The application of board assurance arrangements should be a logical extension to your existing risk management arrangements. Organisations already have key defined roles, such as the board directors and non-executives, audit committee, sub-committees of the board, executive management teams, senior management teams, staff etc., and the extension of this is giving defined assurance responsibilities to these groups, such as:

- Who will be responsible for updating assurance data?
- Who will be responsible for producing management information reports based on the assurance data collected?
- Who will be responsible for reviewing management information?
- Who will be responsible for ensuring appropriate resources are identified for the development, implementation and maintenance of the assurance framework? and
- How often will the above occur?

#### Templates and tools

Development of board assurance framework reports to the board inevitably means collecting data, so you need to consider how you will collect and record it. The approach discussed at step 2 (earlier in this guide) should help you identify the data you need.

There are a number of approaches you can take to identify assurances and complete your board assurance framework (BAF):

- Ask individual managers to record all the assurances they rely on;
- Conduct a workshop with the management team;
- Complete 1-1 sessions with risk owners;
- Review internal and external audit reports and any other third party reports to identify the assurances they provide; and
- Review internal management, committee and board meetings minutes/agenda.

Once you have collected all the data needed then a board assurance framework report can be populated and reported to management and board. Remember, the data contained in the BAF may not represent every risk that the organisation manages but is commonly focussed on those strategic risks that the organisation faces i.e. those risks that will have a fundamental impact on the achievement of one or some of the organisation's objectives resulting in a material loss of some kind or lost opportunity.

#### Clear accountabilities

It has often been repeated that processes fail where there is no accountability to deliver. Ensuring that accountability lines are clearly defined and communicated to everyone involved, including time scales for implementation and the on-going maintenance of the board assurance arrangements, is a priority.



### 3.4 Step 4: Management information

With any data collection process, some form of validation is required to ensure the data captured is complete and consistent. Once validated, the data needs to be used to generate meaningful management information. It is likely though that it will take a few iterations to get the information into a format that management, the audit committee, other committees and board are satisfied with as providing the ‘right’ information and in the ‘right’ format.

#### Analysis of data



In our experience, there will be an element of data analysis required to produce the information required. Some examples of the analysis required would include:

- Assessing the overall control effectiveness based on the RAG ratings provided for the first, second and third lines of assurance (referred to earlier), and then establishing what action is required;
- Identifying those controls with no third line assurance; and
- Identify those controls where there is a low (red) level of effectiveness identified.

#### Producing management Information

Once you have completed your data analysis you will need to present it in a way that readers and stakeholders will engage with it. The following example follows a similar format to that used by many organisations for reporting on board assurance. It shows how a strategic risk is mitigated through the internal controls, and then the different sources of assurance that are in place to inform on the effectiveness of those controls.

Fig 3.4.1: Board assurance framework report

Risk Ref:	Com- mittee:	SO:	Risk description/risk owner:	Cause and effects:	Inherent risk score:	Existing mitigation/ controls:	Assurance/ evidence:	Assurance level:	Residual Risk score:	Planned actions:	Progress on action:
			Risk description: Risk owner: Last updated: Last reviewed: Review notes:	Cause:  Effect:	i = (3) L = (5) RED				i = (3) L = (5) RED 		
			Risk description: Risk owner: Last updated: Last reviewed: Review notes:		i = (4) L = (3) AMBER				i = (4) L = (2) AMBER 		







Below is an illustration of how the control effectiveness assessments from each line of assurance can be aggregated into an overall assessment.

**Fig 3.4.2: Illustration of overall assessment of assurance**

**Area: Human resources**

**Activity: recruitment**

Process	1st line	2nd line	3rd line	Overall assurance
DBS checks	HR confirm	Finance check	Internal audit	Review annually
Qualifications	HR confirm	None	None	Monitor/action
References	HR confirm	None	None	Monitor/action
Practical skill assessment	HR confirm	Finance check	Internal audit	Action required

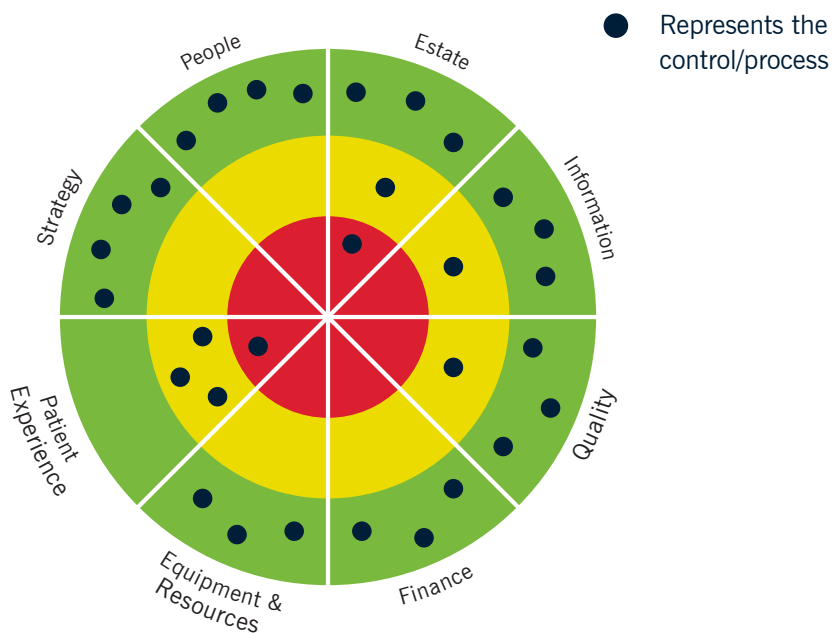
What the above tells us: If we walk through practical skill assessment, the 1st and 2nd line assurances are indicating that the controls are effective (green), but when the control framework has been reviewed by internal audit (3rd line) some fundamental control weaknesses have been identified (red). The overall control effectiveness has been marked therefore as red and that action is required to improve the controls in place over practical skills assessment.

If we consider the processes of qualifications and references, there is no 2nd or 3rd line of assurance (none), so overall in this example they have been marked as amber to highlight that the controls need to be monitored more closely and perhaps action taken to introduce further assurance, either at the 2nd line or from an independent source at the 3rd line.

Finally, it appears that assurance is obtained at all three lines for DBS (formerly known as CRB) checks and none of them have highlighted any control weaknesses (all Green).

The analysis is at quite a detailed level; to display this level of information for all organisational activities and processes would require a substantial document, which may not be appropriate for committee or board who may require a concise insight, therefore this may just be used at a management level with only strategic risks being reported to the board using a BAF report illustrated earlier.

**Fig 3.4.3: Assurance radar**



### Updating and on-going monitoring of assurance

As with risk management, managing your assurances through the BAF is an on-going process. The BAF, like your risk register, should be a document that is updated throughout the year. To ensure that the process is useful, the frequency with which updates are required should be considered as part of setting your board assurance arrangements, but may also evolve over time with familiarity.

### So what does the assurance radar tell us?

Another form of an assurance diagram (Fig 3.4.3) above shows the level of assurance over particular controls/process for the core operational activities of the organisation. In this example on the assurance radar, 'finance', 'people' and 'equipment & resources' are all green.

If we look in the centre there are two processes where the overall assurance is red (low). One relates to patient experience and the other relates to estates. Looking across all of the patient experience processes, it suggests that the organisation may have some more challenging issues with regards to its patient experience arrangements, with no controls deemed effective.

The idea is that this diagram supports reporting by exception and would be underpinned by additional detail for the two weak processes, i.e. the controls have been identified as not effective.

## 4.0 Concluding comments

The successful and sustained achievement of your organisation's mission and objectives is reliant on robust governance, risk management and assurance processes. This means the board needs to be clear about what it wants to achieve, knows what the measures of success will look like, is open and honest in its dealings and alive to the key risks being faced within and outside of its operating environment, both at strategic and operational level. For this to be made a reality, the board needs to put in place a suitable approach to assurance that provides them with the level of confidence they require to know that what they think is being done is actually getting done.

This board assurance toolkit is designed to help your healthcare organisation in its thinking regarding the design and application of its board assurance arrangements and how this might be achieved. Most importantly, the board assurance arrangements and the BAF will only ever be as effective as the board itself. Boards need to use the BAF and its assurance outcomes to focus its agenda and discussions, to inform decision making, and to instigate further checks, challenge and investigation where further concerns exist. In that way the Board can be assured that it is doing everything possible to manage its risks and achieve its objectives.

Uncertainty and insecurity, as well as opportunity, will continue to be part of the health sector landscape for the foreseeable future. Responses to change are likely to become increasingly innovative and possibly involve greater risk. It is crucial therefore, that boards ensure that their governance and risk management arrangements are sufficiently robust to cope. Taking a good hard look at how the board and audit committee are assured over the whole control environment to ensure that these arrangements are fit for purpose is well worth the time and effort.

The board assurance arrangements preparedness assessment included as part of this toolkit (see Appendix) should provide a good measure of progress being made, as well as highlighting areas that need to be developed further within your healthcare organisation.

# Appendix: Board assurance arrangement preparedness assessment

We would recommend that all organisation's assess themselves with regards to their Board Assurance arrangements preparedness.

1 = Not yet established/fit for purpose.

2 = Exist, but further improvement required.

3 = Fully effective.

		Assessment of preparedness		
Board assurance arrangements preparedness		1	2	3
1.	The organisations strategic plan objectives are clearly defined and understood?			
2.	The organisation has a clearly defined approach to the management of risk?			
3.	The organisation's approach to the management of risk ensures the focus is on those risks that will have a material impact on the achievement of its objectives?			
4.	The organisation has a clear understanding of risk mitigation, including existing controls and planned actions?			
5.	The organisation has clearly established risk management reporting and monitoring?			
6.	There is commitment to the development of board assurance arrangements from the top of the organisation and this is shared throughout?			
7.	The organisation has established a board assurance policy and plan that is integrated with its risk management and other management arrangements?			
8.	There is a clearly defined structure within the organisation that will support the development, establishment and embedding of the board assurance arrangements?			
9.	The organisation has clearly defined roles and specified responsibilities in connection with the application and operation of the board assurance arrangements?			
10.	The board assurance BAF monitoring and review arrangements have been defined for the purposes of ensuring the right information gets to the right place and people to aid risk management and assurance decision-making?			
11.	The board assurance framework BAF produces useful information?			
12.	The organisation has mechanisms in place to ensure communication of outcomes from the risk management and board assurance framework BAF to inform the organisation of issues arising?			
13.	The board is clear about its roles and responsibilities and feels that these are discharged effectively?			
14.	At least annually the board undertakes a review of its own effectiveness and this is used to inform a board improvement / development plan?			



# For further information contact:

## Mike Gill

Consulting Head for Health Sector

T: +44 (0)7528 970003

mike.gill@bakertilly.co.uk

## John Coutts

Governance Advisor - NHS Providers

T: +44 (0)20 7304 6875

M: +44 (0)7947 160256

john.coutts@nhsproviders.org

www.nhsproviders.org



Mike Gill



John Coutts

## Matthew Humphrey

Partner - Consulting

T: +44 (0)7764 688248

matthew.humphrey@bakertilly.co.uk

## Tim Merritt

National Head of Health Sector

T: +44 (0)190 868 7800

tim.merritt@bakertilly.co.uk



Matthew Humphrey



Tim Merritt



