



# Building a Framework for Board/Governing Body Assurance

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## Overview

This paper has been developed to facilitate discussion amongst Board members and senior managers and enable them to develop or evolve their governance arrangements in a way which effectively supports achievement of their organisation's strategic objectives. It also considers the principles behind trying to capture and evidence these assurances in one report document (the BAF Report), in light of the changing landscape of the NHS since the original Board Assurance guidance was published by the Department of Health over 10 years ago. Throughout the document are a number of questions for Board members to ask themselves about the arrangements they have in place and the assurances they are provided with.

## Glossary of Terms

Throughout this paper we use the following terms with the stated meaning:

**Assurance** = “a positive declaration that a thing is true”. Assurances are therefore the information and evidence provided or presented which are intended to induce confidence that a thing is true amongst those who have not witnessed it for themselves. For an individual to ‘be assured’, they must trust the assurance(s) they have been provided with and therefore be confident themselves that the thing is true. “Assurance, whatever its source, will never be a guarantee that offers absolute certainty”<sup>1</sup>. You might need very little evidence (or assurances) to make you confident about something. Conversely, you may be presented with reams of evidence (or assurances) but still not be confident (or be assured). This will obviously be dependent on your previous knowledge and experience of the area, as well as a degree of instinct.

**Board** = The group of individuals with the authority to vote on matters of significance to the organisation. The term is used throughout this document as shorthand for Board or Governing Body.

**Framework** = conceptual structure intended to serve as a guide for the building of something useful, comprising the systems, processes, behaviours and hierarchies within which everything is done.

**Governance** = the systems and processes established to systematically support the achievement of purpose and objectives. **Performance management** and **risk management** are both integral parts of governance, as both are concerned with ensuring the achievement of objectives.

**Reassurance** = confirmation or re-iteration that a thing is true, with the intention of restoring or reconfirming confidence.

**Risk Appetite** = The decision about the level of risk that an organisation is prepared to accept in relation to an event/situation, after balancing the potential opportunities and threats a situation presents. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings

**Risk Tolerance** = The predetermined upper level of risk that can be posed to an objective. This might be set as an overall risk rating, or might specifically relate to an upper ‘impact’ or upper ‘likelihood’ rating which if reached must be mitigated at all cost.

**Scheme of Delegation** = The document detailing the passing down of authority from the Board/Governing Body of an organisation through the various layers of management. In particular the authority to make decisions (financial or otherwise) is delegated.

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<sup>1</sup> Assurance: The Board Agenda, Department of Health, 2002, p5

## The Need for Assurance

Organisations exist to achieve a purpose: a Mission. The primary function of a Board is to drive the organisation forward in achieving this purpose, whilst upholding the values and ethos of the organisation.

The purpose (or mission) is translated into strategic objectives for the organisation operating across different components of the business that must work effectively together.

At any point in time the Board needs to be aware of the current state of progress with regard to its strategic objectives. Whilst there will always be elements of uncertainty, the Board needs to be assured (positively or negatively) as to what is feasible and practicable with regard to the delivery of its core objectives.

In order for the Board to receive the necessary assurance, the following governance components and processes must be in place:

- **Objectives** (strategic/divisional/directorate) must be clear and measurable (other components of governance cannot function effectively or efficiently unless these clear objectives and associated success measures are in place);
- **Controls** (policies, procedures, structures, staffing etc) should be put in place by management in order to achieve core objectives (taking into consideration known risks to achievement);
- **Performance** against tangible measures of success should be regularly reviewed (and shortfalls/weaknesses identified as a risk to the achievement of objectives);
- **Risks** to the achievement of objectives and individual tangible success measures should be identified. Risks should be assessed and graded in terms of their impact on a particular or specific objective and escalated for consideration against higher objectives as required;
- **Risk management** decisions should be taken in light of: risk appetite; risk tolerance; and the cumulative impact and likelihood of any or all of the risks threatening achievement of a single objective;
- **Action** should be taken in response to risk, including additions or amendments to the control framework.

Once these components and processes of governance have been embedded effectively, the Board needs to be reliably **assured** that each component is operating effectively within an overall framework. The Board will also need to know the specific output from this process in relation to each strategic objective.

With financial and quality challenges set to be a reality for the sector for the foreseeable future, all NHS Board members must be clear how their internal governance arrangements are supporting the achievement and delivery of strategic objectives.

It is only once reliable information and assurance in relation to each governance component is available in relation to a particular strategic objective that the Board can begin to feel confident about the delivery of that objective. It is essential that the Board has:

- **clarity** about what the strategic objective is and what is being measured to demonstrate success;
- assurance that **controls** are in place to help the organisation achieve the objective;
- assurance that those controls will lead to the desired **outcomes**;
- assurance that the controls are **implemented/adhered** to;

- **performance** information about current achievement;
- assurance regarding the **reliability** of the performance information;
- assurance that singular and cumulative risks are **graded** consistently in relation to each strategic objective;
- **knowledge** of the risk management decisions taken and why;
- assurance that the actions address the **root cause**;
- assurance that the actions agreed are being implemented and will be **monitored**;
- assurance that the systems used to generate the above assurances are sound and **robust**;

### The Role of the Board Assurance Framework

Whilst the term ‘Board Assurance Framework’ should refer to the wider systems and processes of governance which are in place to provide the Board with assurance regarding the achievement of its strategic objectives, the phrase has generally become synonymous with the document or report generated in an attempt to capture these assurances.

The Board Assurance Framework (BAF) has had negative connotations attached to it in recent years because it is often perceived to be:

- Unwieldy
- Not owned
- Based on ill-defined objectives
- Unrelated to performance against objectives
- Retrospective rather than forward looking
- Unaligned with operational incident management (risk registers and incident reporting)
- Not capturing the real risks
- Inconsistent
- Incomplete
- Silent on major areas of activity such as buildings, culture and failures by partners and stakeholders.

Why do we need to retain the BAF document? The report is increasingly moving into the area of regulatory compliance, in addition to being a management tool. Regulators will require Boards to have a robust BAF which delivers added value to justify the cost. Our advice is to utilise the BAF in a way that makes it both effective and efficient.

The Audit Committee Handbook<sup>2</sup> identified the BAF as *“the key source of evidence that links strategic objectives to risks and assurances, and the main tool that the Board should use in discharging its overall responsibility for internal control”*. The Integrated Governance Handbook<sup>3</sup> set out the value of a BAF in providing organisations with *“a simple but comprehensive method for the effective and focused management of the principal risks that arise in meeting objectives”*.

The amount of information which is generated and which informs the on-going, but ever-changing confidence levels of the Board regarding the achievement of strategic objectives, cannot (and we believe should not) be captured in a single document (the BAF). The BAF should record the Board’s

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<sup>2</sup> DH/HFMA, 2005, Gateway Ref 5706.

<sup>3</sup> DH/NCGST 2006, Gateway Ref 5947.

confidence in achievement of each strategic objective at any given point in time, given all the information that has been made available to them.

In this way it is believed that the BAF will remain 'live' in supporting effective decision-taking and providing evidence and justification for the decision-making process.

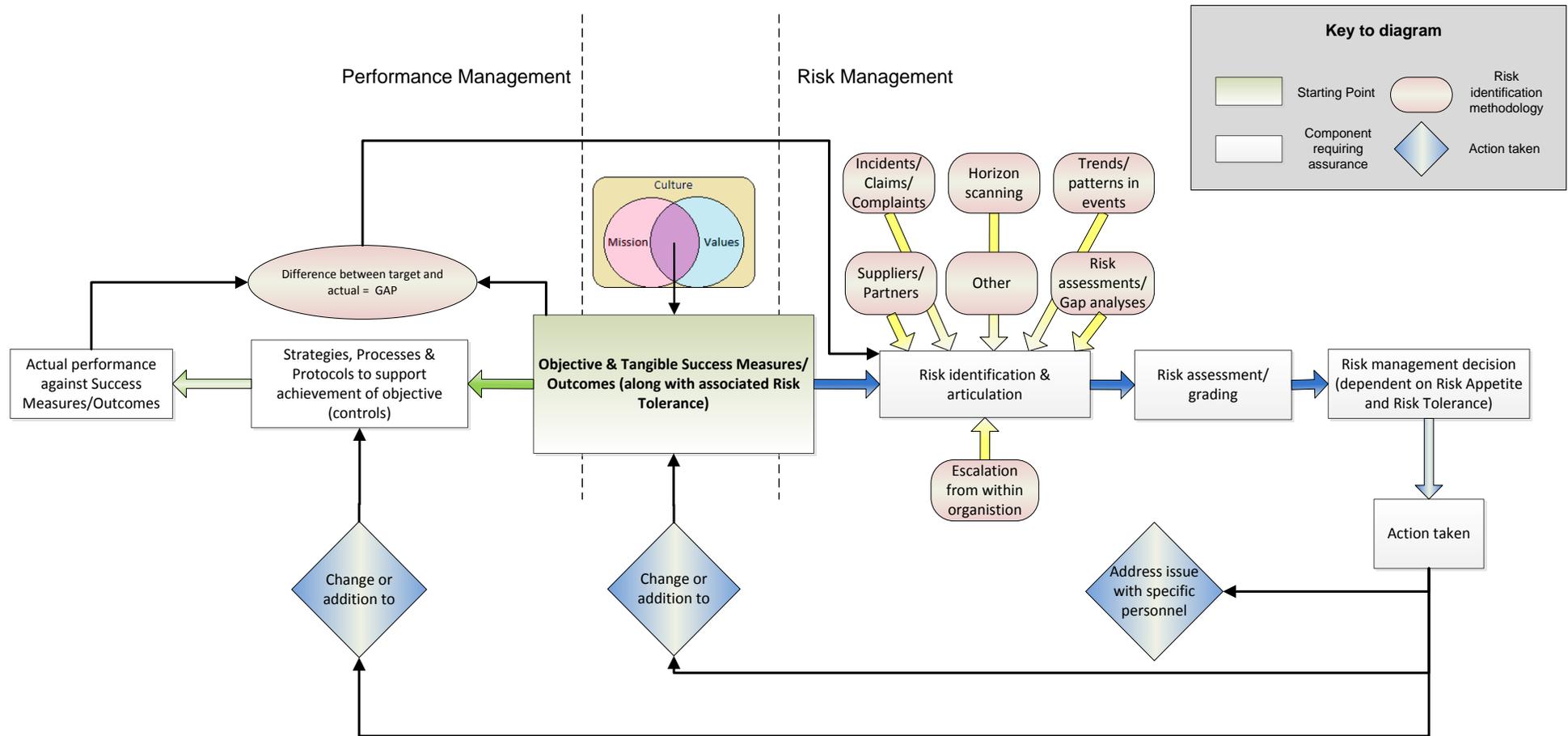
Board agendas should be set according to where the largest gaps are perceived to exist in either a) confidence about current position, or b) achievement against strategic objectives (the core remit of the Board).

Every piece of information the Board receives may affect their confidence about the likely achievement of a strategic objective. Therefore, it is worth posing the question after each agenda item: –Does this affect our confidence regarding the achievement of strategic objective X? or What assurance can we take from this paper regarding strategic objective X? Proactively the agenda front sheet should point to these concerns.

The BAF can be used dynamically to capture these changes as a result of new information, rather than attempting to replicate all the detailed information actually received by the Board.

This paper examines the relationships between the components of governance and the BAF and the BAF and the Board agenda. It poses a series of questions that organisations can consider to assess the functioning of their components of governance and therefore the validity and reliability of assurances produced. It also contains a set of questions to ask about your BAF document to ensure it is being utilised effectively.

## The Components of Governance



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In order to feel confident about the current position in relation to achievement of each strategic objective, the Board/ Governing Body need to receive robust and reliable assurance that each component of this framework is in place and functioning effectively in relation to that objective.

## Components of the Governance Framework

### 1. Culture

There is no start or end point for culture. Strong leaders often influence the culture but the relationship between the culture and the 'Mission and Values' should be symbiotic. Establishing the right culture is a fundamental factor in organisational success. We have not expanded here on the concept and importance of culture but there is much interesting material on the matter.

### 2. Mission and Values

The Board will no doubt have identified its mission and values. These should make explicit what is material to the Board – what is fundamental to it and its major stakeholders. The strategic objectives of an organisation should naturally flow from its mission and the values will be crucial in determining how the organisation sets about achieving these objectives and therefore what the measures of success will be.

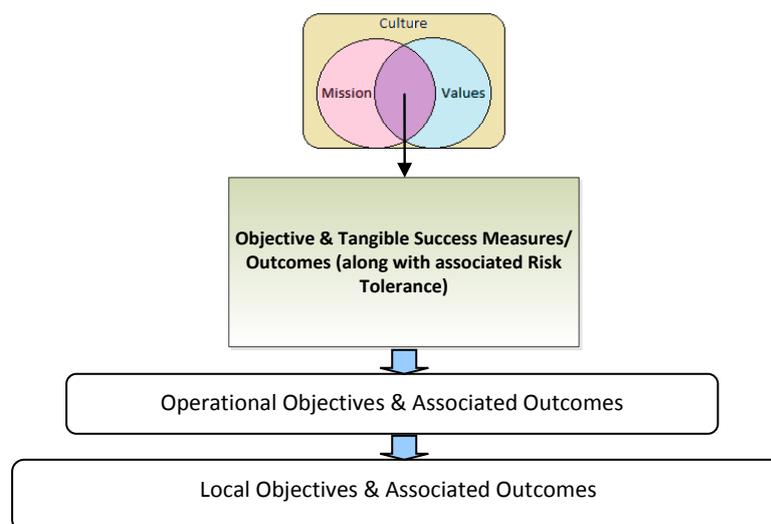
### 3. Strategic Objectives

The strategic objectives should support achievement of the primary purpose (or the mission) of the organisation.

Each strategic objective should be translated into or expressible as tangible success measures i.e. those things that will tell you at the end of the year whether the strategic objective has been achieved. These should be easily understood by all members of the Board and wider within the organisation. Strategic objectives should be SMART<sup>4</sup>. It is helpful to write objectives which define the end point rather than describing the process of trying to get there.

Other components of the framework discussed in this paper will not function efficiently or effectively unless there are clear strategic objectives with tangible success measures. It is therefore crucial that Boards make this a priority. Expressing what success looks like for the organisation supports the other fundamental steps necessary for generating assurances which can be appropriately scrutinised and relied upon.

Strategic objectives will be translated into operational objectives, which in turn will be broken down as appropriate to divisional/ directorate/ specialty/ departmental objectives.



<sup>4</sup> Specific, Measurable, Achievable, Relevant, Time-bound

The Scheme of Delegation and the committee structures (including the Terms of Reference) should make it explicit which individuals, committees or groups are being tasked with the achievement of which objectives.



Confidence about whether the established tangible success measures/outcomes are appropriate might come from:

- Benchmarking of what other organisations are measuring for similar strategic objectives
- The output from consultation/engagement with staff, public & patients about what achievement should look like

#### 4. Risk Tolerance

An organisation should give consideration to the level of risk it is willing to accept when seeking to achieve its strategic objectives.

Given the nature of healthcare services, the risk tolerance an organisation may have will be dependent on the nature of the objective. For example, an organisation may have a higher risk tolerance when investing in research activities than in the delivery of patient care.

Therefore, risk tolerance should be considered in relation to each strategic objective. It is the assessment of the upper level of risk to that strategic objective that the organisation has determined cannot be exceeded i.e. the point at which any action necessary should be taken to reduce the risk.

The risk tolerance might be set as an overall risk rating, or might specifically relate to an upper 'impact' or upper 'likelihood' rating.

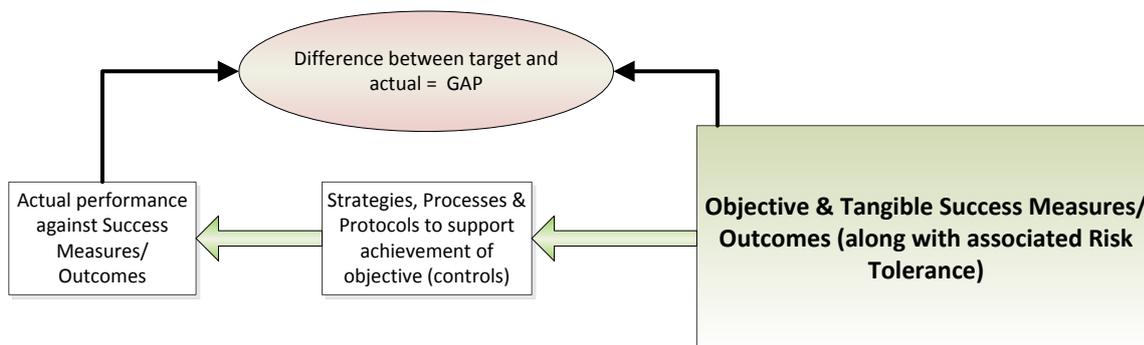
The risk tolerance set will relate to the combined and cumulative risk arising from all of the specific individual risks associated with that objective. Determining whether a risk tolerance level is in danger of being breached therefore requires a cumulative assessment of risks (see 10. Risk management Decision).

Different risk tolerances may be set for each strategic objective.

Action will still be taken in relation to risks even where the risk tolerance level is not reached. It is the upper limit of risk, not the trigger for action.

#### Questions to Consider

- Are your strategic objectives SMART?
- Are you confident that the strategic objectives accord with the primary purpose?
- Are all members of the Board agreed about what success against each strategic objective will look like at the year-end?
- Has the Board defined its risk tolerance for each strategic objective?



*The GGI Board Assurance Prompt (BAP) on Risk Appetite advises Boards on setting their risk appetite and tolerance for failure.*

#### 5. Controls to help achieve Outcomes

The intention of controls is to provide, as far as possible, a consistent environment and set of circumstances, to enable the achievement of the tangible success measures/outcomes that have been set.

Controls will generally include:

- Organisational/committee structure supported by Scheme of Delegation and accountability framework
- Policies, procedures, protocols and guidelines
- Training and education
- Equipment and electronic systems
- Management action regularly undertaken

Controls might be amended or added to in the face of risk. There is therefore little difference between “controls to assist in the achievement of objectives” and “controls to mitigate risk”.

In order to have complete confidence in the controls, you will require confidence in respect of 3 things:

- That controls are in place
- That controls are appropriate i.e. that they positively affect outcomes
- That controls are being followed

Confidence about controls might come from:

- Existence of policies/procedures
- Demonstrable change in success measures/outcomes following any change in controls
- Audit results/Performance against KPIs/targets which measure whether the process has been followed (performance reports) e.g. training figures, complaint response times achieved
- Independent reviews or assessments.

## 6. Performance against Outcomes

In order to ascertain whether a strategic objective has been achieved or is likely to be achieved, it is necessary to measure the outcomes which were determined to be indicative of success.

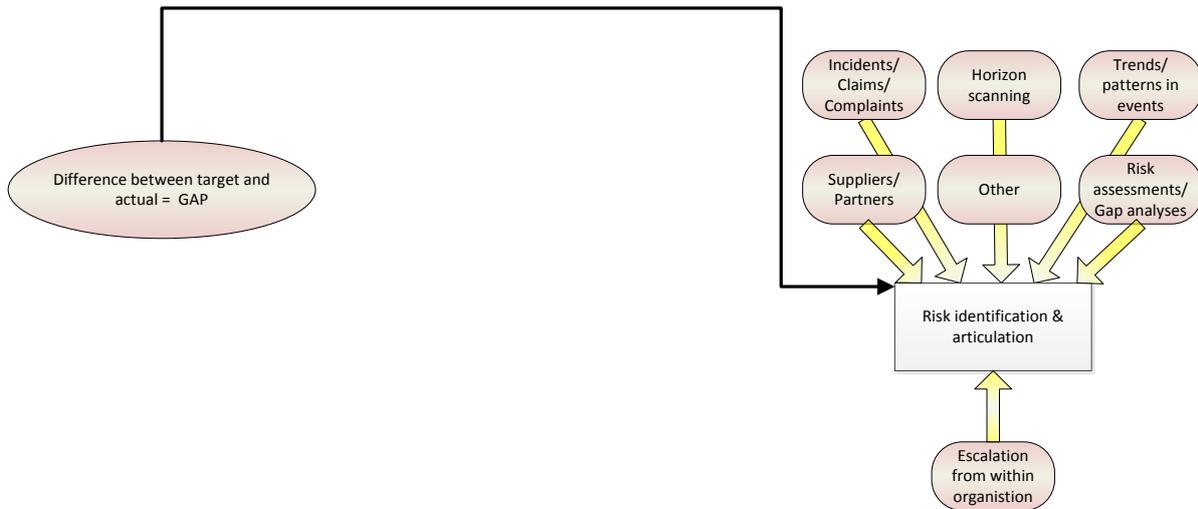
Performance against the tangible success measures is different to the evidence demonstrating that controls have been implemented. For example if a control is that 95% of staff will be trained in a particular subject then the % of staff actually trained is a measure of the control implementation NOT against the actual success measure.

Confidence about performance might come from:

- Performance reports
- Numbers of ‘events’ of certain categories

### Questions to Consider

- Are controls clearly identified and articulated?
- Are you confident that if the control(s) was fully implemented the outcome would be achieved?
- Are you confident that the control(s) is fully implemented?
- Does the Board have a methodology for assessing the quality of the data presented regarding the existence, appropriateness or application of controls and the quality of the performance data?
- Has the Board agreed a Performance Management Strategy and Policy which is aligned to internal governance and explicitly states how it supports the achievement of strategic objectives?
- How strong is current performance against each of the success measures associated with each strategic objective?



## 7. Risk Identification

Risks to the achievement of objectives can and should be identified through a variety of methods. Risks might be external or internal to the organisation and new/emerging or continuous/residual. It is vital that organisations have multiple methods for identifying risks that might arise.

The organisation should have a Risk Management Strategy and Policy. These documents should articulate the risk identification process for both strategic and operational risks.

In being presented with risks to the achievement of strategic objectives, Boards need to be confident that all possible sources of risk have been considered, paying particular attention to risk at the boundaries of responsibilities.

A gap between the target outcomes and the actual performance against outcomes will highlight the existence of a risk and should be managed as such. The action that is taken in response to this risk will be dependent on the root cause of the lower than expected performance. It is therefore important that gaps are thoroughly assessed to determine the root cause.

## 8. Articulation of risk

There are many examples of BAF Reports and risk registers where the focus is on the outcome of the risk rather than the risk itself. Where the right amount of focus is on the risk, it is easier to identify and assess the impact on the achievement of the objective.

Risks are events/potential events. In identifying and recording a risk it is important to separate the risk from the outcome that risk might have (ultimately non-achievement of objective). A simple method for starting to articulate risk is using the structure "If X then Y", where X is the event or set of circumstances that might arise and Y is the effect on the objective.

Risks can be articulated far more accurately when the tangible success measures of an objective have been identified, recorded and are commonly understood.

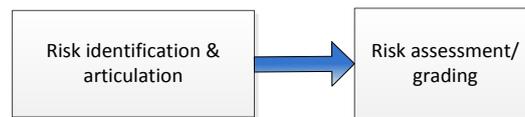
Confidence about the risk identification processes in the organisation might come from:

- Minutes of meetings which show potential/future risk is being appropriately considered through horizon scanning

- Range of risks that are presented for consideration demonstrates wider thinking
- Risks are specifically articulated

**Questions to Consider**

- Is the process by which the risks were identified systematic?
- Are new risks regularly identified (it is unlikely that risks will constantly remain stable in the NHS)?
- Are risks identified from other industries/ as a result of national or regional events?
- Does the stated 'risk' actually describe the event that may occur?



**9. Risk Assessment**

Most organisations use a risk grading matrix similar to the one below to score risks based on the potential impact and the likelihood of risk realisation.

		Likelihood				
		1 – Rare	2 - Unlikely	3 - Possible	4 – Likely	5 – Almost certain
Consequence	1 – Negligible	1	2	3	4	5
	2 – Minor	2	4	6	8	10
	3 – Moderate	3	6	9	12	15
	4 – Major	4	8	12	16	20
	5 - Catastrophic	5	10	15	20	25

1-3	Low risk
4-6	Moderate risk
8-12	High risk
15-25	Extreme risk

A risk can only be assessed or graded in relation to an objective. This is because the impact of an event or threat occurring will be different depending on what you are trying to achieve (what your objective is). The same event or threat might therefore present a high risk to an operational objective but a moderate or low risk to a strategic objective.

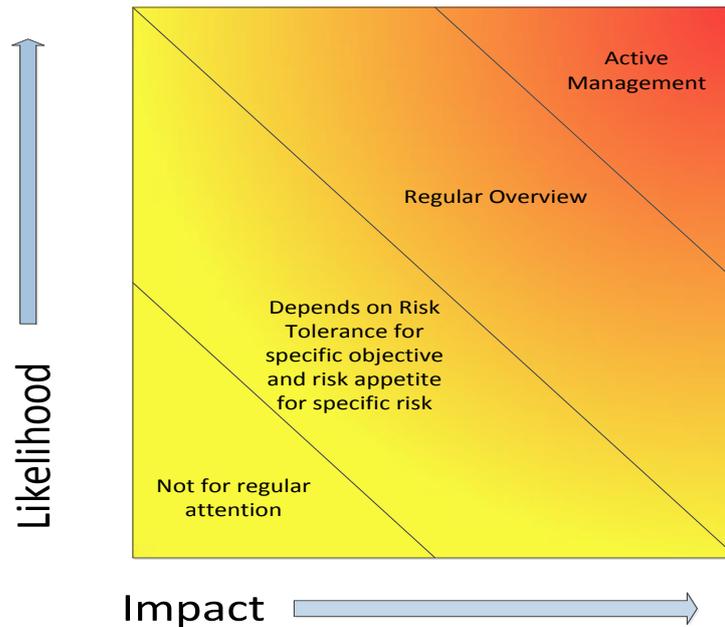
Risks should be escalated where they may pose a threat to a higher-level objective.

Most organisations have adopted a blanket approach to risk escalation e.g. any risk graded at 15 or above should be escalated to the Board. However, such an approach does not distinguish between the level of risk to the achievement of an operational objective (which may be 15) and the level of risk to the achievement of an associated strategic objective(s) (which might not reach 15).

Two strategies or processes are therefore required for the moderation of risk:

- A process for determining which risks potentially impact on the achievement of strategic objectives (including in a minor/insignificant way)
- A process for determining which risks to the achievement of strategic objectives require management by the Board

There are many diagrams and methodologies for the second of these bullet points but essentially they focus on trying to determine lines at which different processes are followed, such as the one below:

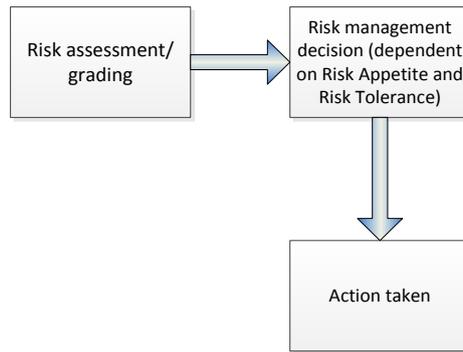


Confidence about the risk assessment processes and the actual risk assessments generated might come from the following practices being applied as standard:

- When risks are referred through to the Board it is explicitly recorded (by the referring individual/committee) which objective the risk has been assessed in relation to;
- When questioned about the assessment individuals/committees are able to explain (using any standard indicators for each category) why the risk has the assessed level of impact or likelihood score.

#### Questions to Consider

- Has the Board agreed a Risk Management Strategy and Policy which is aligned to internal governance and explicitly states how it supports the achievement of strategic objectives?
- Is it always clear which objective a risk assessment been made in relation to?
- Is there a clear process and methodology for escalation of any risk which poses a threat to the achievement of a strategic objective?
- Are the risks referred to the Board appropriate (i.e. are they risks to *strategic* objectives)?
- Is the method for determining which risks will be managed by the Board clearly understood and followed?



### 10. Risk Management Decision

Once a risk has been identified, a decision about how to manage it (terminate, treat, transfer, share, tolerate) needs to be made at the appropriate level, in accordance with the level of delegated authority laid out in the scheme of delegation.

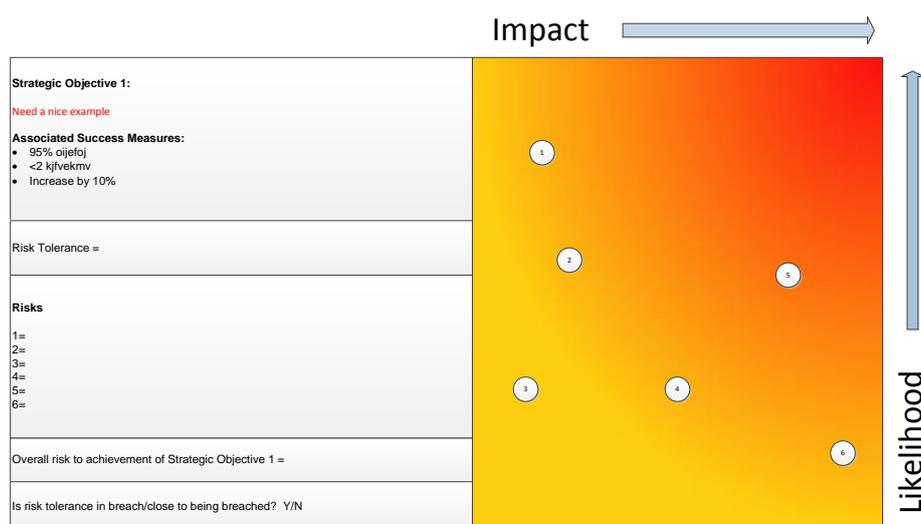
This decision will be based on multiple factors and will be greatly affected by the detail of the actual risk and the assessed level of impact and likelihood.

There may be multiple individual risks that pose a threat to the achievement of a single strategic objective.

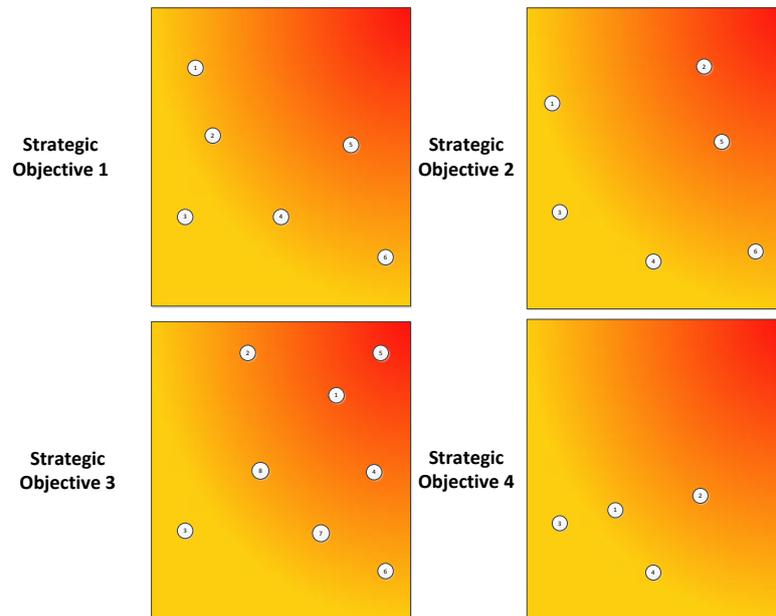
The cumulative potential effect on the achievement of a strategic objective may influence the management decision (overall and for individual risks).

Therefore the Board will need to know not only which individual risks to the achievement of the strategic objectives individually require their attention and management, but also the totality of risks to each strategic objective. Cumulative assessment of multiple risks is also necessary for determining if risk tolerance limits set against each objective have been reached.

One method of assessing the cumulative threat is to represent all of the risks to the achievement of a single objective on a heat map as below



Although this alone does not provide a simple solution to the actual method of amalgamation of these risks, comparison between the level of risk associated with different objectives might then be visually represented.



In this example situation you may be quite concerned about the achievement of Strategic Objective 3 but not particularly concerned about the achievement of Strategic Objective 4. Your concern in relation to Strategic Objectives 1 and 2 may depend on the actual risks represented in the visual presentations.

## 11. Risk Appetite

The decision about how to manage any particular risk will also be dependent on the risk appetite. Risk appetite will vary dependant on the actual risk being faced. Some risks may have a high impact but a low likelihood and the appetite to tolerate these risks may be high due to the resource implications of attempting to treat them. The appetite for a particular risk may be higher than for other risks due to the balance of opportunity against threat that it poses.

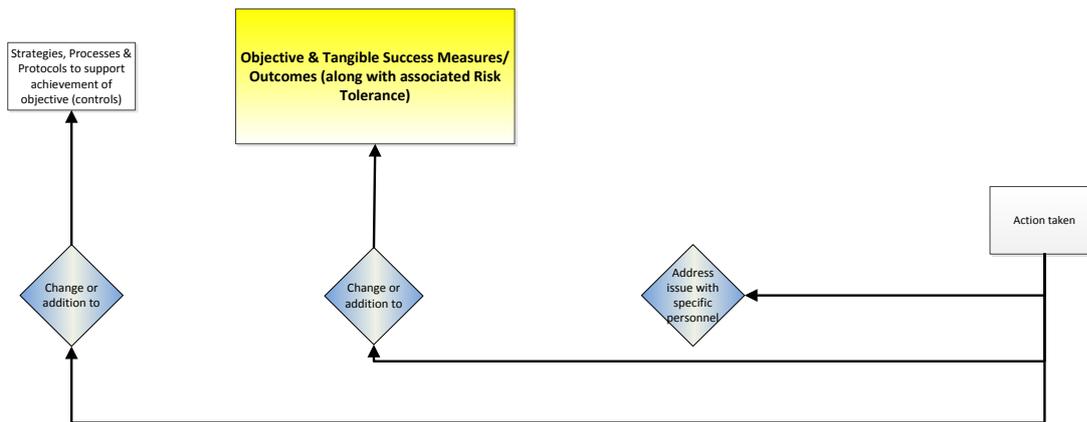
Risk appetite and risk tolerances may fluctuate over time in light of further information. A priority from the Board to actively manage the risks to a particular strategic objective may require an acceptance that the tolerance of and appetite for other risks may have to increase.

Confidence about risk management decision-making might come from:

- Summary reports detailing the number of risks identified against each relevant objective by committees/individuals and the decisions made in respect of each.

### Questions to Consider

- Do you have a system for considering all of the risks to the achievement of each strategic objective in a cumulative or amalgamated way?
- Is the risk appetite for each risk identified and related to the risk management decision?



## 12. Action Taken

Where the risk management decision is to terminate, treat, transfer or share, some form of action needs to occur to make this happen.

The risk to achievement of an objective may have been the result of the capability of an individual in which case specific action might need to be taken for that member(s) of staff, such as training or HR capability procedures.

More commonly though, the action to be taken will involve changing or tightening the controls designed to support achievement of the objective, such as introducing a new process or amending the training etc.

Confidence about the action taken might come from:

- Action plans
- Reports that action plans are being monitored
- Proposals to change the outcome measures and/or the controls which are sound and support improvement
- Evidence that the action has been taken
- A change in the performance against success measures following action

### Questions to Consider

- Are actions addressing root causes/ risks as events/potential events?

## Receiving assurance in relation to achievement of strategic objectives

Board members cannot be everywhere within their organisation, ensuring that every task is carried out in a way which contributes towards the achievement of the organisation's strategic objectives. Therefore, the Board has to rely on assurances that the constituent parts of the organisation are doing what they need to do and functioning as they should. The assurances provided to the Board should make them confident about the organisation's current (and potential future) position and strengthen their decision-making. Where the assurances do not generate confidence about the current position the Board should monitor the perceived weaknesses and seek further assurances until confidence regarding the current position is achieved and a sound basis for decision-making is in place.

In agreeing to the signing of the Annual Governance Statement, the Board should be able to demonstrate that they have been properly informed about: the controls in place to support achievement of strategic objectives; the actual performance against strategic objectives; and the totality of their risks, as well as how they impact on the achievement of strategic objectives.

## Scrutiny of assurances

The confidence that might be generated amongst Board members from assurances provided will depend on several factors, including the source of the assurance, its timeliness, the methodology behind its generation and its compatibility with other assurances.

Boards will be dependent on assurances from many sources so it is important that they determine how they will reflect the level of confidence they have gained from any particular assurance. We are aware of at least one organisation where the Board (and its sub-committees) discuss the validity and reliability of each assurance report and agree a level of assurance that it provides them with before moving on to the next paper. The outcome from this discussion is then reflected in their BAF Report.

The Board can delegate some of the role of scrutiny of assurances to its sub-committees to save time for the Board and make the most appropriate and efficient use of expertise. Boards may be able to place greater reliance on assurances if they are confident that they have been robustly scrutinised by one of their sub-committees.

Responsibilities might be delegated to sub-committees on the basis of individual components of the framework e.g. the Audit Committee might take responsibility for reviewing the assurances in relation to the controls for all strategic objectives, with a separate committee taking responsibility for reviewing the assurances in relation to the performance or the risks. However, we are seeing increasing confusion regarding the different and overlapping roles of the Audit Committee and the Quality Committee where organisations attempt to have them both scrutinising different assurances in relation to a single strategic objective. This method also has the potential to limit any committee/individual being in receipt of all the assurances in relation to a particular strategic objective and therefore forming an opinion on achievement which has been based on a complete overview.

An approach which appears to be more successful is to delegate responsibilities to sub-committees on the basis of wholesale responsibility for a particular strategic objective(s). Following this approach, it is then the responsibility of these sub-committees to challenge where assurances in respect of any component are missing or inadequate.

With both approaches, the intention is that the sub-committee(s) are in a position to endorse the assurances to the Board or highlight any reasons why the Board may not be able to rely on the assurances. Any gaps should be escalated to the full Board.

Knowing that the assurances produced have been subject to this scrutiny should enable the Board to trust the assurances more and therefore may give the Board greater confidence about the likely achievement of strategic objectives and provide a sound basis for decision-making.

Whoever scrutinises the assurances in relation to each component of the framework they need to do so in a systematic way to determine where there are any gaps or weaknesses, either in the systems and processes themselves or in the assurance regarding them.

**Questions to Consider when Scrutinising Assurances (for use by any individual or committee with this responsibility)**

- Are assurances in place in respect of every service delivered (including from partners and suppliers)?
- Do the assurances come from a range of sources (particularly independent sources)?
- Do the assurances triangulate convincingly and, if not, is there a level of weighting that can attach to each assurance?

**Questions for Sub-Committees to consider**

- Is it clear which components of the framework you are responsible for scrutinising assurances about and in relation to which strategic objectives?
- If you only scrutinise assurances in relation to particular components (e.g. controls), is it clear where assurances in relation to the other components are scrutinised?

**Recording assurance using the BAF**

If the Board/Governing Body believes that the purpose of having an effective framework for Board Assurance is simply in order to generate a 'BAF Report' document (to tick a box) then there is a risk that 'Governance' has been lost and the efforts of the Board and their staff may have limited impact on the achievement of strategic objectives. However, when used correctly the BAF can inform, support and evidence decision making as well as providing a basis for discussions both internally and with stakeholders.

As can be seen from the preceding pages, risk management is only one part of what is required to achieve the objectives and therefore it can't be seen in isolation. The necessary assurance framework places risk management alongside other components of governance that are required to ensure the achievement of objectives. Considering this complete framework should help facilitate discussion about what a Board needs to do, oversee and receive in order to be confident about the

organisation's current position relative to the achievement of its strategic objectives, including the steps taken to foresee and address any weaknesses, risks or issues.

However, in many organisations the BAF Report appears to function as a Board level Risk Register. This is therefore limited to providing assurance about how identified risks are being managed. In order to provide assurance about the likelihood of achievement of the strategic objectives, the BAF Report needs to provide assurance about both risk management and performance management and the way the two are interacting.

Often this becomes easier simply through the clarification of strategic objectives and tangible success measures, which are then used as the starting point for the document.

Many BAF reports contain a column headed 'Assurances'. Some contain two columns, one headed 'internal assurances' and one headed 'external assurances'.

In order to be confident (or be assured) about the achievement of a strategic objective, the Board need to be confident about all of the components of the framework in relation to that objective and therefore need assurances in relation to all of the components. Attempting to capture assurances about all components in one column can generate complexity and confusion about which component the assurance relates to. Most organisations have a larger number of assurances regarding the operation of controls than any other component. Long lists of assurances of this type can sometimes mask gaps in assurance about other components.

Throughout the sections above, which consider each component of the framework, examples of assurances have been given i.e. those reports, papers or bits of information which may generate confidence about the current or future position amongst Board members.

A common complaint about 'BAF Report' documents is the amount of information that organisations try to cram into them, resulting in pages and pages of small font type.

The amount of information which generates and informs the ongoing but ever-changing confidence level of the Board regarding likely achievement of strategic objectives cannot (and we believe should not) be captured in one document (the BAF). Consider the number of documents Board members read that (should) inform their decision making.

The 'BAF Report' will never be the only report the Board receive and this is because it cannot contain the level of detail required for a Board member to be rightly confident about the likely achievement of a strategic objective. This confidence builds up and changes over time as more assurances become available and are scrutinised.

The example document contained within *Assurance: The Board Agenda* was proposed in order to "link objectives, risk areas, prioritised risks, management assurances and controls, and independent assurance reports"<sup>5</sup>.

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<sup>5</sup> *Assurance: The Board Agenda*, Department of Health, 2002

Considering these points together it seems that the document should be a succinct summary or overview of the assurances generated regarding each of the components of the framework, centred around each strategic objective, rather than centred around principal risks, with the intention being that the document reminds Board members of the more detailed assurances they have previously received and scrutinised. The BAF should be used to record the Board's confidence at any given point in time, given all of the information that Board members have been given.

It may therefore work as a mapping of which documents/reports have been received by Board and the level of confidence they took from them. In this way it will remain live but support decision-making and provide evidence and justification for decision-making.

Every piece of information the Board receive may affect their confidence about the likely achievement of a strategic objective and it is therefore worth asking the question after each agenda item – Does this affect our confidence regarding achievement of strategic objective X? or What assurance can we take from this paper regarding strategic objective X? The BAF can be used dynamically to capture these changes as a result of new information, rather than attempting to replicate all the detailed information actually received by the Board.

### **Making effective use of the BAF**

Boards should not need to consider reams of information, evidence or assurances that do not relate to the achievement/potential non-achievement of strategic objectives.

Furthermore, Boards should focus their attention on significant (singular and cumulative) risks to the achievement of strategic objectives and areas where they have little confidence in the assurances being provided to them (or where the sub-committees have identified and/or advised of weaknesses in the assurances being provided).

Therefore, the Board's agenda should hang off what is being identified as significant risks to achievement of strategic objectives or significant gaps in the assurance against achievement of strategic objectives e.g.:

- Have any new risks to achievement of strategic objectives been identified?
- Have any new assurances been generated?
- Have any challenges/ questions previously asked about risks or assurances been answered?

If the Board's agenda is formulated on the grounds of:

- what is the 'BAF Report' highlighting as a concern?;
- where are the gaps on the 'BAF Report?'; and
- will this issue/paper impact on, and be subsequently captured in, any area of the 'BAF Report'?

the Board will remain concentrated and focused on the achievement of the organisation's strategic objectives. A dynamic and accessible BAF will provide this information and therefore help drive the focus of the Board.

### Questions to ask about your 'BAF Report'

- Is the document centred around strategic objectives?
- Does the document contain each strategic objective AND the associated success measures/outcomes?
- Does your BAF contain a Risk Tolerance for each strategic objective?
- Is the Board clear how the document integrates with Risk and Performance Management strategies and policies?
- Is the document easy to view and not prohibitive in length?
- How does your BAF help you to identify the gaps or weaknesses in controls?
- How does your BAF capture the assurances you receive on the implementation and operation of controls?
- How does your BAF capture the assurances you receive on the performance against strategic objectives?
- How does your BAF help you understand the overall risk to the achievement of each strategic objective?
- How does your BAF inform risk management decisions?
- How does your BAF track action taken?
- Is the document reviewed after each meeting in light of the information/ evidence/ assurances received?
- How is your BAF utilised by the Board/Sub-Committees to focus attention on Board priorities?
- Is the 'BAF Report' used to generate agendas for Boards and Sub-Committees?

If you find a method for bringing together and summarising the assurances in relation to each strategic objective that works for your organisation, there is no reason that the same methodology and template could not be used at other levels within the organisation e.g. divisions might create a document which captures the assurances relating to the achievement of the divisional objectives.

If you would like further information or would like to discuss your assurance needs further please contact [john.bullivant@good-governance.org.uk](mailto:john.bullivant@good-governance.org.uk) or [elaine.dower@360Assurance.nhs.uk](mailto:elaine.dower@360Assurance.nhs.uk) .



## **Building a Framework for Board/Governing Body Assurance**

By Elaine Dower and John Bullivant

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