GGI BAP: Board Assurance Framework
The Need for Assurance

February 2014

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 measureable (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[1] 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 tis overall responsibility for internal control".

The Integrated Governance Handbook[2] 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 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 the members' 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.

Our guidance document developed in conjunction with 360 Assurance, *Building A Framework for Board/ Governing Body Assurance*, ISBN: 978-1-907610-22-6, examines further 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.

Our BAP on Risk appetite advises Boards on setting their risk appetite and tolerance for failure.

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[1]   DH/HFMA, 2005, Gateway Ref 5706.
[2]   DH/NCGST 2006, Gateway Ref 5947.

	Question	Good answer	Poor answer
1	Are we clear what success looks like for each of our strategic objectives?	We have identified and engaged with our key stakeholders and have defined with them strategic objectives and measures of success for each.	We have defined our objectives in respect of compliance with national targets and improvement of patient safety and experience.
2	Are we clear what is the cause of each material risk and its impact on all strategic objectives?	For each and all objectives we have identified material risks that could compromise achievement of delivery. We understand the causes of these risks and seek to remove or mitigate.	We review our BAF several times a year and this provides us with an overview of risks and action being taken.
3	Are the necessary and appropriate controls in place, being adhered to and having the desired effect on performance against objectives?	Our staff have confirmed controls to mitigate risks. We have set tolerance for failure beyond which we expect the issue to be escalated to committee or board.	The BAF would appear to have risks, controls and assurance for each objective. This is a management role and we let them get on with it. They would tell us if there were a problem.
4	How we are performing against each of the success measures associated with each objective?	Having defined the successful outcomes for our strategic objective we expect to see a trajectory of planned progress identified, variation and actions to ameliorate.	We always seem to be missing agreed plans and targets. it is very frustrating, but I appreciate there is so much to do.
5	Are we aware of the total cumulative risks to the achievement of any particular strategic objective?	Yes, our system triangulates risk, one strategic objective against others. We scrutinise carefully our capacity to deliver all objectives when having to invest time and resources on one failing objective.	Our system doesn't allow for this. Each objective has its own risks but there is no means of seeing crossover between them. I suppose that is the art of governance to spot such effects.
6	Are decisions being made in relation to risks by committees and individuals in keeping with the scheme of delegation with variances reported to the Strategic Objective owner?	Yes, our audit processes check that trajectories are on track and within risk appetite and where variance occurs that actions will rapidly reestablish planned outcomes and timetable, else the issue will be escalated.	Yes, our individual committees have clear areas of responsibility and effectively get on with taking appropriate action.
7	What assurance do we have that actions agreed in response to risks appropriately address the root cause and are implemented across the organisation?	We focus heavily on addressing root causes rather than work-arounds and challenge executives to provide independent assurance of mitigation being applied comprehensively.	Risk doesn't work like that. We never get rid of root causes but do the best we can. We rely on our professional staff to learn and apply lessons from when things go wrong.

Good Governance Institute
Governance and BAF Maturity Matrix V.4. February 2014

To use the matrix: identify with a circle the level you believe your organisation has reached and then draw an arrow to the right to the level you intend to reach in the next 12 months.

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Progress Levels

Governance elements

Level 0: Strategic objectives have not been formally agreed by Board, so performance and risks and to their achievement cannot be identified nor can action taken be shown to mitigate risk of delivery

Governance elements	1 — Agreement on Direction	2 — Basic level	3 — Early progress	4 — Evidence of achievement in delivery	5 — Maturity
Clear strategic objectives with tangible success measures are set	Board are committed to defining expected time limited outcomes for strategic objectives with a strong focus on quality in clinical outcomes.	We have a clear vision of the improvements we are seeking to make. We are building significant engagement with our providers/ commissioners involving clinicians and others providing health and social services locally.	We are seeing commitment to improvements in population health and service outcomes from our partners (commissioners/providers).	We are seeing measurable improvements in population health and service outcomes.	We have moved to defining contracts in terms of measurable outcomes paying (being paid) for what is achieved.
Controls (policies, procedures, staffing, structures, electronic systems etc) in place to help achieve strategic objectives and mitigate known risks	All our strategic objectives have been risk assessed and management controls identified.	Controls are expressed and owned.	Controls are explicitly designed to achieve objectives and tangible success measures.	Controls are shown to have mitigated risk.	There is an evidence base indicating that the design of the controls will mitigate non- achievement of the objectives and tangible success measures.
Performance against strategic objectives reviewed	We recognise that as a Board we must ensure progress against objectives and require a clear trajectory of progress.	Board are provided with trajectory of performance against strategic objectives with associated risks.	Board can see evidence of agreed progress or where off target, actions being taken to rectify. A process of escalation in place if poor performance sustained.	System seen to be working, Board has sight of non performance and impact of risk or ameliorative action on capacity of organisation to deliver other objectives.	Board can demonstrate grip on performance and organisation's agility to respond across all strategic objectives.
Risks to achievement of objectives identified and actions taken	System in place or being designed to identify risks proactively including unknowns and emerging trends from incidents.	A consistent system of risk assessment in place with clarity on what will mitigate or escalate risk.	System seen to respond to changing circumstances, increased regulatory rigour, public outrage etc.	All risks to a strategic objective are presented together so that a picture can be established of a total overall cumulative risk to inform prioritisation.	Board shows grip on proactive risk identification and boundary issues.
Risk management decisions reflect board risk appetite and tolerance for failure	Board have discussed their understanding of risk appetite and tolerance for failure.	Board have a clear understanding of their risk appetite and tolerance for failure and can apply to new threats and opportunities.	Annual delegation of authority to Management and committees based on agreed risk appetite and escalation when tolerances breached.	Board is using risk appetite to influence Board and committee agendas.	Board noticeably increasing risk appetite as support systems mature.

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