A *Simple Rules* Guide for the NHS

# Board

# Assurance

# Frameworks

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This guide is based on work undertaken at St Marys, Southampton NHS Trust, East Midlands Ambulance Service, and Rotherham NHS FT with the support of the author and contributors.

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# Contents

# Board Assurance Framework: 10 Simple Rules

**1** The Board Assurance Framework is the means by which we hold ourselves to account –it is our responsibility to defend our patients, visitors and staff not just to defend the institution

**2** The Board is responsible for affirming assurance is in place

**3** The BAF helps us to clarify what risks will compromise our strategic objectives.

**4** We may have controls in place but they will weaken over time, check that the controls we have in place are still valid and update them where necessary.

**5** It's the Chief Executive's responsibility to handle reputational risk

**6** Reputational risk is what really compromises the Board, but it will be the public outrage level that is the barometer of what is important

**7** Include checks at boundaries to ensure effective, safe handover of information and service users

**8** We may get it wrong but we will be judged by how quickly we say sorry and act to put it right

**9** Be clear of the status and reliability of the assurance you have- it may be out of date or not evidenced based -know the difference between potential and positive sources of assurance and encourage gaps as an honest flag of the state of play

**10** Challenge why your Board agenda and red flagged risks in the BAF are so different

# Questions for Board members

- What is the difference between the BAF and the Board Agenda?

- Are our staff teams encouraged and empowered to take action to mitigate risks close to the problem identified. When an incident occurs it must be reported but ameliorative action by operational teams should not wait for long winded review processes?

- Does the BAF cover all activity and relationships?

- Are we recording risks and controls that are in the hands of our partners and suppliers? What assurance do we have that they will not compromise our objectives?

- Are our assurances positive and evidence based. Can I tell the difference between a surrogate or partial assurance and one that is fully evidenced? Action to deal with this problem should be prompt and effective.

- Can the Trust afford the activity we are planning?

- What assurance do we have that independent providers and suppliers meet the standards we expect?

- Do we have clinical engagement for the reforms we are making?

- Do we have political, public and media buy-in to the changes?

- Are we (and our partners) being brave enough?

- Do we (and our partners) track & follow through on our decisions?

# 1. INTRODUCTION AND BACKGROUND

The Trust Board's main focus is strategic. Board members must understand the business objectives and be able to identify the principal risks that may threaten the achievement of these objectives.

The Board's role is to focus on those risks and events which may compromise the achievement of strategic objectives, and to support the creation of a culture which allows the organisation to anticipate and respond to adverse events, unwelcome trends and significant business and clinical opportunities. Occasionally the Board will want to dig into the detail of a problem area and for this they will need support and encouragement to explore complex, specialist areas until it has the assurance it seeks. Board members may also need help to then let go and move onto other areas.

**Risk registers** are important for collating and analysing trends but individual and routine risks should be anticipated and managed by managers and clinicians. Risk registers stand the danger of being considered management documents, and as such not used operationally to reduce risk at all levels.

The Board **Assurance Framework** provides a structure and process that enables the organisation to focus on those risks that might compromise achieving its most important (principal) annual objectives; and to map out both the key controls that should be in place to manage those objectives and confirm the Board has gained sufficient assurance about the effectiveness of these controls.

The Audit Committee Handbook (DH/HFMA 2005, Gateway 5706) identified the Board Assurance Framework 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 (DH/NCGST 2006, Gateway 5947) set out the value of a Board Assurance Framework in providing organisations with:

- A simple but comprehensive method for the effective and focused management of the principal risks that arise in meeting objectives.
- A structure for the evidence to support the Statement of Internal Control (SIC).
- Simplified Board reporting and prioritisation, which in turn allows more effective performance management.
- Means of reporting key information to Boards but only when the Board Assurance Framework (BAF) is maintained as a dynamic document-
- Identification of which of the organisation's objectives are at risk because of the inadequacies in the operation of controls or where the organisation has insufficient assurance.
- Structured assurances about where risks are being managed effectively and that objectives are being delivered.
- A means for Boards to determine where to make the most efficient use of their resources and address the issues identified in order to improve the quality and safety of care.
- Identification of priorities for the Board, to provide confidence that the organisation is able to understand its capacity to deliver and is able to assess realistically the risks the organisation faces and the assumptions this is based on.

The Benefits of a **working** BAF is that it:

- Encourages individuals and groups within the organisation to think about and plan for the achievement of their objectives in a proactive manner, with Board agendas focussed on the strategic and reputational risks rather than operational issues.
- Highlights any gaps in control and assurance that may hinder the achievement of these objectives.
- Requires the active involvement of the Trust as a whole, including the Trust Board, to make it work effectively.

For example, **The 5 Boroughs Partnership NHS Trust** set out in 2007 the purpose of the Board Assurance Framework (sourced from Trust web site)

- The Board needs to be confident that the systems, policies and people they have in place are operating in a way that is safe, effective, is focussed on key risks and is driving the delivery of objectives.
- The Board Assurance Framework provides a framework for reporting key information to the Trust Board. It provides a structured level of assurance about the management of the risks to the achievement of the Trust's objectives.
- The regular review of the Board Assurance Framework through the year by the Trust Board enables the Chief Executive to report as required by the Department of Health on the system of internal control at the end of every financial year.

The Board needs to work at building this confidence concept of assurance as it can be a source of misunderstanding and mismatched expectations. Potentially, there can be a lack of clarity within, and beyond the Board, as to what is meant exactly by the term "assurance". This can extend to uncertainty over the level of assurance required, where that assurance comes from and how the reporting of assurance is managed in a coordinated manner.

From 2001/2002 all NHS Chief Executives in England were required to sign a Statement on Internal Control (SIC), which formed part of the statutory accounts and annual report. To provide this Statement, Boards need to be able to demonstrate that they have been properly informed through assurances about the totality of their risks, not just those that are financial, and have arrived at their conclusions based on all the evidence presented to them.

Guidance was issued in 2002 in 'Assurance: The Board Agenda' ( DH Gateway 2002) to help NHS Board Members meet this challenge through the consideration of a formal organisational Board Assurance Framework.

The Guide explained that every organisation was expected to design its own framework, related to the delivery of its own objectives within the context of an understanding of the principal risks that the organisation faces. The guide went on though to say 'Having said that, there are generic aspects to building a Board Assurance Framework and the thinking through of associated issues.' To support this the guide's appendix included more specific guidance:
- To fulfil their role, Boards must obtain assurances that the arrangements they have put in place to achieve the organisation's objectives and manage risks are effective and operating as intended. This is also a statutory requirement for completion of the Statement on Internal Control. It is important that Boards have sufficient understanding of the techniques used by auditors and other reviewers to satisfy themselves that the assurance arrangements they have in place are both comprehensive and efficient.

■ The assurance process requires a systematic and analytical approach with the level of supporting evidence required carefully matched to the importance of the activity to the organisation's objectives and the level of risk. Good systems with effective embedded controls and sound risk assessment arrangements are fundamental to good management and efficient assurance arrangements. The principles for achieving assurances are the same irrespective of whether clinical, financial or other areas of activity are involved. They all require systems to be evaluated for their ability to prevent or minimise error and then checked to ensure they are actually working as intended, or if not, the effect of weaknesses. This is known as the systems audit approach. It provides an assurance about the whole system and help in reducing ongoing problems. Whilst it is possible to gain some assurance through the examination of individual incidents or transactions, this can be very time-consuming and does not provide an insight into the whole system. (*Assurance: The Board Agenda* APP 3: Assurances on systems of internal control)

The report also includes a table setting out the more common of the different techniques and testing methods that can be used to confirm the effectiveness of the Board's arrangements and l points out that where systems are inadequate this leads to significant increases in both the numbers and depth of tests required to provide assurances. (Gateway 2002)

The Department of Health set out further guidance on building Board Assurance Frameworks – 'a practical guide for NHS Boards' in March 2003 (DH Gateway 1054). This set out clearly the actions a Board should undertake:

■ Establish Principal Objectives
■ Identify the principal risks that may threaten the achievement of these objectives
■ Identify and evaluate the design of key controls
■ Set out the arrangements for obtaining assurance on the effectiveness of key controls
■ Evaluate the assurance across all areas of principal risk
■ Identify positive assurances and areas where there are gaps
■ Put in place plans to take corrective action where gaps have been identified
■ Maintain dynamic risk management arrangements including, crucially, a well founded risk register
■ For Principal Objectives show the link between Strategic and Directorate level objectives

There has not been much guidance since although in July 2008 the Healthcare Associated Infection and Cleanliness Division of DH issued a clean-safe-care guide to building assurance frameworks explaining how they can be used to assure the Trust Board, trust management, clinical and medical staff, patients and the wider public that the safety agenda is of high priority and is being well managed. (DH Gateway 9707). In addition each year, the DH, through the Strategic Health Authority (SHA) verifies that the Trust Board is in sufficient control of its activities through monitoring and reviewing the Board Assurance Framework reporting, particularly at Board level. In 2006 the DH letter to SHA DOFs (DH Gateway 6317) included an Annex of prompts against which effective BAFs could be assessed as meeting 'reasonable achievement'.

| Has a Board Assurance Framework been established which is designed and operating to meet the requirements of the 2005/06 SIC and provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation? (modified from Gateway **6317** Annexe B) | | | |
|---|---|---|---|
| **Key Components** | **BAF Not evident** | **BAF does not meet reasonable achievement** | **BAF Meets reasonable achievement** |
| 1. The components are all present: i.e. objectives; risks; controls; positive assurance; gaps in control and/or assurance and remedial action | | | |
| 2. The Board has been appropriately engaged in developing and maintaining the assurance framework | | | |
| 3. The objectives are sufficiently strategic, well balanced and across all areas of activity | | | |
| 4. The objectives explicitly reflect the Healthcare Standards (recommended methodology) – **or** there is evidence that a separate framework is in place that adequately supports compliance with the Standards for Better Health | | | |
| 5. The risks are sufficiently strategic/high level and complete (i.e. are potential risks not just residual risks) | | | |
| 6. The key controls have been identified and evaluated with regard to their effectiveness to manage the risks | | | |
| 7. Potential sources of assurance have been identified | | | |
| 8. Results of real assurances have been included in the framework, which include positive assurances, and gaps in control and/or assurance identified where appropriate | | | |
| 9. The components of the framework have all been explicitly mapped out against each other so that an assurance can be mapped back to an objective with ease | | | |
| 10. The framework is fit for purpose: that is it provides the Board with evidence based assurances on the way in which it manages the organisation at a strategic level | | | |
| 11. Significant issues arising from the assurance framework are being escalated to the Board and can be traced through the Board agenda | | | |
| 12. Arrangements are in place and are being followed to address gaps in control and/or gaps in assurance where the Board deems that appropriate | | | |
| 13. The framework informs appropriate declarations to be made on the SIC, including significant control issues in line with HMT guidance where appropriate | | | |

In Wales the Welsh Assembly Government has been permissive on BAFs. For example, all Local Health Boards (LHBs) are required to have a risk management framework that ensures a systematic approach to internal control. LHBs are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances. LHBs are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity. (see 'Supplementary Guidance for Local Health Boards (LHBs): Statement on Internal Control 2003-04' issued in Wales by the Director of NHS Finance on 8 September 2003 and NHS Wales Summarised Accounts 2006-07) Healthcare Inspectorate Wales (HIW) in its healthcare standards technical guide 27 expects NHS organisations to have considered sustainable systems outlining accountabilities and control arrangements, including an assurance framework.

In Scotland Chief Executives of NHS Boards, as accountable officers, have responsibility for maintaining a sound system of internal control within their organisation. The Scottish Executive issued HDL (2002) 11 – "Corporate Governance: Statement on Internal Control" – in March 2002. This requires Chief Executives of NHS Bodies as Accountable Officers to sign a Statement on Internal Control (SIC) as part of the annual accounts. The SIC describes the effectiveness of the system of internal control; it is not restricted to internal financial controls and considers all aspects of the organisation's system of internal control including clinical governance, staff governance and risk management. If any aspect of the system of internal control is found to be unsatisfactory, this should be disclosed in the SIC. Guidance issued by the Scottish Executive to support HDL (2002) 11 states that NHS Boards are responsible for reviewing the effectiveness of internal control having regard to the assurances obtained from the Audit Committee and any other standing committee which covers internal control. In addition a quality assurance framework was developed by NHS Quality Improvement Scotland in 2005/6 to support NHS Boards to establish robust systems and processes in relation to the Primary Medical Services Quality and Outcomes Framework (QOF) review process, and to monitor Board performance against the core standards.

The situation in England has recently been confused by setting the delivery of the world class commissioning vision and competencies within an 'assurance framework' run by the SHAs. This is intended to drive performance and development, and reward PCTs as they move towards becoming world class commissioners. The BAF of PCTs is likely to include some element of this commissioning framework.

**Principal Objectives**

### 1.1      Collective responsibility

The Board must be appropriately engaged in developing and maintaining the Board Assurance Framework. It is the duty of the whole Board, executive and non-executive directors alike, to probe, discuss and advise so that the Board can confirm, revise or update action plans as required.

Scrutiny is therefore particularly important to the Board Assurance Framework process. Unless the handling of the Trust's principal strategic risks are both reviewed and challenged, the Board will add no value and become merely a 'tick box' body.

Given the focus of the Board Assurance Framework upon Principal Objectives and the fact that it should be maintained to reflect current circumstances, ***it should be a key driver for the agenda of Board meetings.*** The Annual Plan for the Board and Audit Committee meetings is therefore best explicitly linked to the BAF with summary sheets for agenda papers cross-referenced to it.

### 1.2 Audit Committee role

The Audit Committee will report to the Board annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Board Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health. (Audit Committee Handbook 2005)

1. The work of the Audit Committee, with regard to the Board Assurance Framework, should be to Review the Board Assurance Framework to ensure that there is an appropriate spread of strategic objectives and that the main inherent/residual risks have been identified, as well as any that are newly arising. This is to ensure that there is no major omission. This review should be done once a year.
2. Assure itself that the process that has been undertaken by management to populate the Board Assurance Framework is appropriate, in that the necessary directors and managers have been involved and take responsibility for their entries, and that there are no major omissions from the list of controls. This review could be carried out on the Committee's behalf by the Internal Auditors, although the Committee should specifically agree the Terms of Reference for this piece of work.
3. Monitor the implementation of action plans that have been drawn up to cover gaps in controls, assurances and reports to management. This should be through reports from management, but may be supplemented by independent follow-up from auditors.
4. Consider, in particular, the "audit needs" of the organisation in terms of the sources of assurance, both independent and from line management, and ensure that there is a plan for these assurances to be received. This should be done at the very start of the audit planning process and involve a detailed review of the current sources of assurance and the prioritisation process.
5. Review the results of assurances, either in whole or specific to a risk or objective, and the implications that these have on the achievement of objectives. In looking at the results of assurance work, the Committee should concentrate on assessing whether the overall objective is being met, that the main controls are operating as expected and that agreed actions for improvement are being implemented.

   The work of the Audit Committee is NOT to manage the process of populating the Assurance Framework or getting involved in the operational development of risk management processes, either at an overall level or individual risks. These are operational issues that the Committee should satisfy itself are being carried out by line management.

   (From DH/HFMA NHS Audit Committee Handbook 2005 APPENDIX D ADDITIONAL BEST PRACTICE.)

   It is the duty of Board members to ensure that they appropriately monitor the Trust's significant risks and the associated controls and assurances. In particular, the Board should revisit action plans to address gaps in controls and assurance. The Board, usually through the Audit Committee, should ensure that all systems, processes and procedures required for the Board Assurance Framework function effectively, including where elements have been delegated to subcommittees who must take action and report on their specific responsibilities. .

### 1.3    Assessing the Board Assurance Framework

The Department of Health's guidance on building Board Assurance Frameworks  made it clear that it is important for Boards to be able to evaluate the quality and robustness of their Board Assurance Framework and to have arrangements in place to keep it updated in the light of evidence from reviews and actual achievements.

'If conflicts should appear between the organisation's actual performance in a particular area and the assessment from the assurance framework reports, then the reasons need to be investigated. It may be that the objectives themselves need to be revised, the risks reassessed or the assurance on the effectiveness of the controls reviewed. The Assurance Framework is a very effective management *and governance* tool if used properly.**'** (Building the Assurance Framework: A Practical Guide for NHS Boards (2003) DH Gatelog 1054)

It is possible for one risk to impact upon another. The Framework needs to be integrated and understood but also challenged when one control lapses to retain assurance that other controls are not compromised.

Most risks are assessed taking into account the existing controls and their effectiveness. Although this is a reasonable approach it should be understood that the effectiveness of existing controls can deteriorate.   Unless the existing controls are also regularly monitored, this deterioration will go un-detected. This highlights a danger when Boards only see the high risks (i.e. those with a score of 15 and above).  If these risk ratings take into account the existing controls it is the residual risk that is reported.  It is likely that some of the risks will be inherently catastrophic if they materialised; The Board should therefore ensure they are looking at the whole spectrum of activity of the organisation and periodically review all the **principal** risks whatever the risk rating.

### 1.4    Whole Health Economy Assurance Frameworks

WHO, in its 8th Futures Forum on Governance of Patient Safety @Erpfendorf, 2005, recognised that patient safety is:

*'at risk when a client is transferred from one structure to another such as from primary to secondary care or after discharge from a hospital'*

The UK Healthcare Commission in its report 'Learning from investigations' (Feb 2008) found that in relation to service failure,

*"Problems often occur at the borders between one organisation or team and another".*

A new departure is the need for Whole Health Economy Assurance Frameworks. These were raised in the Governance Between Organisations (GBO) debate paper issued July 2008 and provide the means by which whole health economies identify their combined strategic objectives and the risks, controls, assurance and plans required. It is recognised that different services may have different geographical hinterlands and organisational partners hence the Whole Health Economy Assurance Framework is also likely to need to be an adjunct to each organisational Board Assurance Framework.

As with all risks we should ask:

- What are our top 10 health economy objectives?
- Have we identified the risks which might compromise the achievement of these?
- Are there gaps in controls?
- Are there gaps in assurance of our controls or those of others?
- Are there plans to mitigate these?

# 2. OVERVIEW OF THE ASSURANCE FRAMEWORK

The Board Assurance Framework provides a structure and process that enables the Trust to focus on the risks to achieving its most important (principal) annual objectives and be assured that adequate controls are operating to reduce these risks to acceptable levels.

The primary benefit of using the Board Assurance Framework is that it encourages individuals and groups within the organisation to think about and plan for the achievement of their objectives in a proactive manner. It also highlights any gaps in control and assurance that may hinder the achievement of these objectives. Support of the Board Assurance Framework process will normally be led by the Company (Board) Secretary working directly with the Board Chair, but it will require the active involvement of many people in the Trust, including the Trust Board, to make it work effectively.

The Board has a responsibility to make formal public statements on the organisation's ability to implement its objectives, including those which affect compliance with the national Standards for Better Health (SfBH). The Board Assurance Framework is informed by the Standards for Better Health self assessment process and provides the evidence to support the annual Declaration of Compliance with both the Standards for Better Health and the Statement on Internal Control (SIC). .

This document describes how the organisation can best maintain the Board Assurance Framework in accordance with the requirements of regulators, auditors and policy/performance scrutiny.

## 2.1 Principal Objectives

A Board Assurance Framework must be driven by the objectives of the organisation, as clear strategic and operational objectives need to be identified before an effective system of internal control can be established. Without clear objectives, the Trust will be unable to identify and evaluate the risks that threaten the achievement of its goals and design and operate a system of internal control to manage those risks. The Principal Objectives for the Trust should be determined by the Board, based on local and national priorities, stated in the Trust Business Plan and other related documents. The Principal Objectives should be annually reviewed and updated in consultation with all stakeholders and reviewed by the Trust Board and Executive Board. The Company Secretary will need to ensure with others that there is parity between the Principle Objectives and the Business plan.

**South London and Maudsley NHS Foundation Trust** Board has built their Board Assurance framework around their Principal Objectives seeking assurance. It aims to ensure that adequate controls are operating to reduce these principal risks to acceptable levels.

The Trust's 12 principal risks, defined by the Trust Board and on which the Board Assurance Framework is based, cover all major areas of Trust activity, and are aligned to one or more of the Trust's strategic aims, which are:

1    To offer the people we serve the best mental health services possible, tested against the best in the world.

2.      To go beyond the limits of the health service to promote and improve mental well being in our local communities.

3.      To reduce illness and promote social inclusion – "to keep people in their lives" including supporting them when they choose to change their lives.

4.      To attain the highest standards in the management and professional leadership of mental health services.

5.      To implement rapidly and systematically, improvements in care based on evidence of the best that is possible.

6.      To comply with its statutory, regulatory and performance management obligations, as defined in Monitor's Compliance Framework.

Potential risks to the achievement of the Trust's objectives are identified in two ways: the 'top down' proactive identification of risks that directly affect the Trust's achievement of its Principal Objectives, and 'bottom up' assessment through the Trust's Risk Register.  High-level risks in the Trust Risk Register, (red on red amber green (RAG) system or scored say 15 and above), should be reported regularly to the Trust Board for consideration.  The Company Secretary (custodian of the Board Assurance Framework) and the individual responsible for the Risk Register in liaison with the Trust Executive Directors, ensure that where felt necessary there is cross-over from the Risk Register to the Board Assurance Framework and vice-versa.  Therefore high-level risks from the Risk Register will filter up for inclusion in the Board Assurance Framework, and specific risks from the Board Assurance Framework will filter down for inclusion in the Risk Register.  All risks should be rated in line with guidance included in the Trust's Risk Management Policy and Strategy.

In larger organisations such as Acute Trusts that have many divisions each with their own risk registers (and often their own assurance frameworks), it can be quite difficult to achieve the cross-over simply by including lower level risks in the corporate (Board) assurance framework. The Board Assurance Framework can become overwhelmed in detail.

This is where the role of the Company Secretary and their liaison with the divisional Directors is important.  Processes need to be in place to identify common risks / themes across different divisions. Individually the risks may not seem significant, but together these risks may threaten the achievement of one or more Principal Objectives.  In this case, rather than promoting many similar risks from different divisions, the theme or a summary of the common risks needs to be included in the assurance framework along with a summary of the controls and action plans. Assurance can be provided by cross referencing the lower level risks, controls and action plans within the respective divisions.

The diagram below shows the relationship between risk and assurance tools in an Acute Trust



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### 2.2    Controls, Assurances and Action Plans

Controls are the many different things that are in place to mitigate risk and assist in securing the delivery of objectives. They should make a risk less likely to happen, or reduce (mitigate) its effect if it does happen.

The Board Assurance Framework requires the Trust to consider the effectiveness of each control through the process of obtaining assurances that the control is in place and is operating effectively. These assurances are obtained from a variety of sources, such as management reports, internal and external audit or other external assessments

- **A gap in control** is deemed to exist where adequate controls are not in place, or where collectively they are not sufficiently effective.
- **A gap in assurance** is deemed to exist where there is a failure to gain evidence that the controls are effective.

Wherever gaps in control or assurance are identified, action plans must be defined and allocated to appropriate lead directors to ensure that the situation is remedied.

These gaps in controls and assurance will be reviewed both internally and externally,

At **St Marys NHS Trust** the system was that high-level risks in the Trust Risk Register, (scored 15 and above), were reported to the Trust Board for consideration.  The Company Secretary (custodian of the Board Assurance Framework) and Associate Director of Quality and Risk (custodian of the Risk Register) in liaison with the Trust Executive Directors,  ensured that where felt necessary there was cross-over from Risk Register to Board Assurance Framework and vice-versa.  Therefore high-level risks from the Risk Register will filter up for inclusion in the Board Assurance Framework, and specific risks from the Board Assurance Framework will filter down for inclusion in the Risk Register.  All risks should be rated in line with guidance included in the Trust's Risk Management Policy and Strategy.

## 2.3 Assurance, Evidence & Performance

Many organisations struggle with the concept of assurance and end up gathering mountains of 'evidence', much of which is only tangentially relevant to the item being assured.

Organisations should take a smart approach to gathering assurance (quality not quantity). The assurance process needs to take into account the following principles when evaluating assurances:

- Independent assurance (e.g. an auditor's opinion) carries more weight than internal evidence produced by management.
- The best assurance is commissioned specifically to assure the Board a control is effective as opposed to the concept of presenting reams of evidence that has only an indirect relevance to the control.
- Assurances are time-limited and should only be relied upon if they are current.
- It is important to differentiate between positive, negative and neutral opinion when using independent assurance.
- Trusts need to ensure consistency when evaluating assurance.
- It is better to explicitly identify where assurance is evidence based, and where it is only surrogate data that has been used.

**Southampton University Hospitals Trust (SUHT)** uses a Board Assurance Framework with both potential and positive sources of assurance, thus making explicit to Board members the reliability of the assurance shown. The confidence to have a gap in the positive assurance column is also seen as an honest flag of the state of play.

Good Governance Institute 2008 recognising SUHT

| | Whole Systems Assurance Framework v 1.1 Dec 2008 | | | | | | | | | | Assurance Framework based on BAF developed by SUHT |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Responsible Exec Director (& links to SfBH ) | Principal Risks | Risk Ref | Key Controls | Potential sources of Assurance | Positive Assurances | Potential Assurances on Controls | Assurance Level | Gaps in Control | Gaps in Assurance | Actions planned /update | Boundary Conditions |
| | | *What could prevent this objective being achieved* | | *What controls/ systems, we have in place to assist in securing delivery of our objective* | *Where we can gain evidence that our controls /systems on which we are placing reliance, are effective* | *We have evidence that shows we are reasonably managing our risks and objectives are being delivered* | reliance, are effective *We have evidence that shows we are reasonably managing our risks and objectives are being delivered* | *RAG rating* | *Where we are failing to put controls/syste ms in place./ Where we are failing in making them effective* | *Where we are failing to gain evidence that our controls/ systems, on which we place reliance, are effective* | *Dates, notes on slippage or controls/assurance failing* | *Where the risk is associated with actions by others or handover at boundary* |
| | *Assurance Level: Effective controls definitely in place and Board satisfied that appropriate assurances are available = GREEN (+ Add review date)* Effective controls thought to be in place but assurances are uncertain and/or possibly insufficient = AMBER Effective controls may not be in place and/or appropriate assurances are not available to Board = RED (NB The Board will need to periodically review the GREEN controls/assurances to check that these remain current/satisfactory). | | | | | | | | | | | |
| No | **Objective:1a xxxxxxxxxxxxxxxxxxxx** | | | | | | | | | | | |
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Some organisations are starting to develop processes to manage and track all these dimensions. This enables them to use tools to analyse the assurances to help identify where there are gaps and anomalies and to ensure key assurances are renewed.

The example below shows how it is possible to track these dimensions of assurance and automatically deduce if there are likely to be any gaps:



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When gaps are identified, Trusts should prioritise action and ensure there is a robust system of managing the actions through to completion.

The Board Assurance Framework should be informed by all necessary information sources, the strongest of these being the Trust's existing performance reports and self assessment against the Standards for Better Health. Any area of non-compliance with the Standards for Better Health Core Standards indicates that there is an associated risk that must be included in the Board Assurance Framework.

Nigel Turnbull (Turnbull Report: Internal Control Guidance for Directors on the Combined Code, ICAEW1999) saw performance reporting as a form of assurance or early warning that the delivery of objectives is at risk. It is therefore a critical component of the overall framework of internal control. (From LINKS BETWEEN ASSURANCE FRAMEWORKS, PERFORMANCE REPORTS AND RISK REGISTERS, DH Gateway 5117): It is essential of course that objectives and related plans include measurable performance targets and indicators?

Performance reports provide strong evidence of the effectiveness of control activities and should set out necessary improvements where controls are lacking. It therefore follows that performance reports generate valuable information for the Board Assurance Framework. This argues strongly for the Trust to integrate its performance and risk management processes and reporting to help highlight the relationships between actual performance and effectiveness of controls. The following screenshot illustrates how controls can be integrated with performance data to provide assurance on their effectiveness (triangles indicate the status of the performance indicators):



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### 2.4    Integrated Governance & Shared Objectives with Partners

*'In the absence of formal governance arrangements, responsibility for supporting the governance of partnerships falls to partners' own corporate governance mechanisms'*.

Governing Partnerships, Audit Commission, 26 Oct 2005

Principle Objectives may include shared objectives with partner organisations, the assurance of which will require a shared framework between the organisations.   The Shared Objectives should clearly indicate who is responsible for what; what the shared responsibilities are and what the partner organisation's contribution is to be.   The Board Assurance Framework should capture the controls that the two (or more) organisations have to reduce the risks associated with the Shared Objective.

The Governance between Organisations debate paper (IHM, 2008) set out an argument for Boards to recognise the service delivery failure and reputational risk that partners and suppliers can cause. The impact is often a measure of public 'outrage' and is recognised in the reputation domain of the National Patient Safety Agency risk matrix (2008)

| | Consequence score (severity levels) and examples of descriptors | | | | |
|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** |
| **Domains** | **Negligible** | **Minor** | **Moderate** | **Major** | **Catastrophic** |
| **Adverse publicity/ reputation** | Rumors<br><br>Potential for public concern | Local media coverage – short-term reduction in public confidence Elements of public expectation not being met | Local media coverage – long-term reduction in public confidence | National media coverage with <3 days service well below reasonable public expectation | National media coverage with >3 days service well below reasonable public expectation. MP concerned (questions in the House)<br><br>Total loss of public confidence |

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When the authors developed the Integrated Governance handbook, (DH/NCGST 2006) we found it helpful to adapt and adopt the Common Purpose etiquette for meetings and apply this to Boards. We have developed a similar etiquette for partnerships, the principle being that it is better to be explicit at the outset of the rules of engagement, rather than find out later that the partners have very different ideas about expectations and how they should behave. The etiquette was developed at a series of regional seminars and launched by the Good Governance Institute and Dynamic Change as a bookmark setting out the simple rules for Governance between Organisations and the etiquette for making explicit our expectations of partners at the GBO conference held in Manchester, December 2008  (IHM ISBN 978-1-906877-02-6):.

# GBO Simple Rules

**Continuity of Care**

1. Jointly commission outcomes and connectivity of care pathways from primary through acute, diagnostics, tertiary to community and home.
2. Patient referral or data: Take the extra step – have they arrived: What has not arrived?
3. Review and apply lessons from investigations elsewhere (NHS and other sectors) Could it happen here?

**Partnerships & Networks**

4. Jointly audit  critical processes across the boundary (clinical, financial, information etc) at appropriate depth & frequency respective to risk
5. Be consistent in telling patients/carers what they are entitled to and when they are holding responsibility for their own care
6. Check our partners/suppliers have the capacity to deliver their obligations to us

**Mutual Aid & Business continuity**

7. Engage with other organisations to support us in case of long term or widespread service collapse
8. Establish and test partner forums including company secretary networks to coordinate planning with escalation proportionate to the developing risk

**Assurance**

9. Include reputational risks and potential failure of partners and suppliers in the Board Assurance Framework (BAF)
10. Apply rules for new staff (CRB checks, data handling, competence, qualifications etc) to existing and agency staff

## GBO PARTNERSHIP ETIQUETTE

1. Be clear if it's a contract, SLA, Grant, Partnership, Network, Community of Practice (COP) Does our governance reflect this?
2. Agree common objectives, values, outcomes and measures
3. Define our emerging plans with partners and agree necessary changes in relationship and expectations
4. Log, share and track agreed decisions and ensure all parties affirm and provide assurance of delivery of performance and outcomes
5. Agree to share information which provides early warning of variance and completion of agreed actions / commitments
6. Agree and appoint an arbitrator to handle and determine partnership disputes
7. Identify and share common risks (and escalation plans) including risks of partner/supplier failure to deliver
8. Share with partners knowledge of reputational risks in timely manner
9. Clarify & update first contact point for control of each decision/agreement & escalation contacts for concerns over assurance
10. Give adequate notice of absence of  key contact points or intent to withdraw specific commitment or whole partnership

# 3.   TRUST BOARD INVOLVEMENT

The Board must be appropriately engaged in developing and maintaining the Board Assurance Framework. Given the focus of the Board Assurance Framework upon Principal Objectives and the fact that it should be maintained to reflect current circumstances, it should be a key driver for the agenda of Board meetings.  The Annual Plan for the Board and Audit and other Committee meetings is therefore explicitly linked to it and summary sheets for agenda papers cross-referenced to it.

It is the duty of Board members to ensure that they appropriately monitor the Trust's significant risks and the associated controls and assurances. In particular, the Board should focus upon the progress of action plans to address gaps in control and assurance.  The Board should ensure that all systems, processes and procedures required for the Board Assurance Framework function effectively. Where elements of assurance have been delegated to subcommittees, these must complete and report on their specific responsibilities as defined in this document.

The following diagram provides a 'closed loop' method of assuring the Board that gaps are systematically identified and closed. It was developed for a Foundation Trust to help with the implementation of a robust Board agenda for the management of identified gaps in control or assurance:
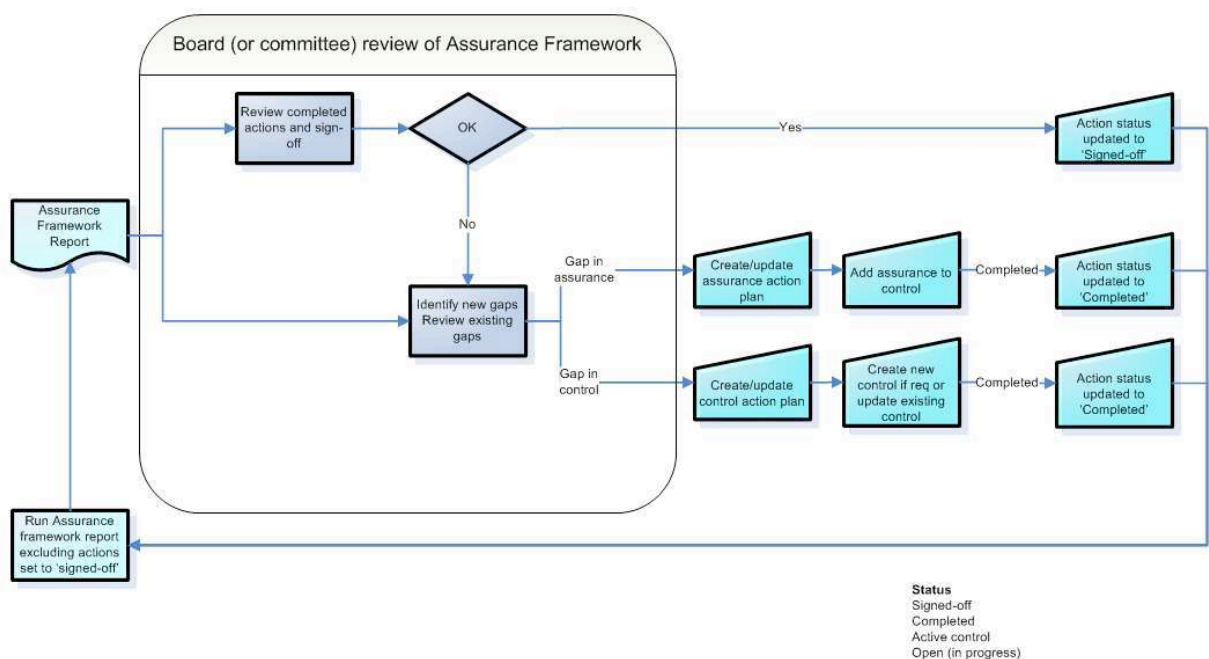


Source: Dynamic Change Limited, all rights reserved, © Dynamic Change Limited

The Trust Board must demonstrate it is in sufficient control of its activities through monitoring and reviewing Board Assurance Framework reporting, particularly at Board level. In this way the Board Assurance Framework informs the Statement on Internal Control (SIC), which is signed by the Chief Executive of the Trust on behalf of the Board.

# 4. MAINTAINING AND UPDATING THE BOARD ASSURANCE FRAMEWORK

The lead for the Board Assurance Framework is the Company Secretary supported by the Executive Directors. The Company Secretary is responsible for the day to day co-ordination and reporting of the Board Assurance Framework; and must ensure that information is collected, processed and reported accurately. This information is created by numerous sources within the Trust, either individually or collectively and although the Company Secretary may facilitate some of these groups success is dependent on each individual's contribution. It is the role of everyone in the Trust to contribute to the success of its governance arrangements.

The Trust updates its Principal Objectives through the development of the Annual Business Planning Process and its longer-term strategy. The associated risks, controls, potential sources of assurance, actual assurances received and gaps in control or assurance determined within the Board Assurance Framework should be updated on an ongoing basis.

The Board Assurance Framework must be a dynamic tool to enable the Board to assure itself that all significant strategic risks are being managed effectively. This involves two distinct phases: firstly, the Board Assurance Framework will be updated with the progress towards closing the identified gaps in control and/or assurance. Secondly, a degree of independent scrutiny must take place over and above the involvement of audit committees and internal audit, to ensure that these updates are valid. Both of these processes should also consider whether new risks have arisen to jeopardise the achievement of the Trust's Principal Objectives.

The process of updating the Board Assurance Framework will be facilitated by the Company Secretary but is completed with the full cooperation of all Executive Directors. To assist in this process, the Board Assurance Framework should be referenced to and updated following Performance Reviews. The progress of action plans and the associated updates to risks and controls assigned to service directorates should be reviewed regularly and the changes incorporated in the relevant entry.

It is good practice for the Board Assurance Framework to be shared with strategic partners such as commissioners, Local Authorities, key suppliers and other local NHS Trusts, to ensure shared risks are detailed on the relevant Frameworks.

## 4.1 Scrutiny of the Board Assurance Framework

Independent scrutiny of the Board Assurance Framework is particularly important to the governance process. Unless the handling of the Trust's principal risks is both reviewed and challenged, it will add little value.

Each year the Trust Board and the Audit Committee should consider the impact and necessary changes for the new Board Assurance Framework. The formal scrutiny of assurances will then be performed by the Audit Committee that will receive reports on the Board Assurance Framework, detailing new and deleted risks along with information on actions that have been taken towards mitigating risks. This oversight by the Audit Committee will provide overall assurance to the Board that their Assurance Framework is working effectively, through the head of Internal Audit opinion. The Audit Committee will consider, in particular, the "audit needs" of the organisation in terms of the sources of assurance, both independent and from line management, and ensure that there is a plan for these assurances to be received. This should be done at the very start of the audit planning process and involve a detailed review of the current sources of assurance and the prioritisation process. (Audit Committee Handbook DH/HFMA 2005). The Committee should ensure that clinical audit is an integral part of this process.

Further detailed scrutiny of the full Board Assurance Framework will be delegated by the Audit Committee, on behalf of the Trust Board, to the relevant subsidiary committees and/or staff within the Trust. This is to ensure cross over between the Risk Register and Board Assurance Framework and also ensure that any necessary further scrutiny of risks and assurances detailed within the Framework can be delegated to relevant staff or sub-committees who hold named responsibility for specific objectives. Staff and sub-committees who hold responsibility for specific objectives will be charged with considering risks in relation to the objective it will inhibit if it occurs and the expected and actual controls in place to prevent it from occurring.

## 4.2    General Managers & Risk Leads in Directorates:

The General Managers and 'Risk Leads' in each directorate will be accountable for the proactive, timely and accurate review and update of all risks owned by their directorate / service. This will include continuously supporting risk owners, control owners and action owners to scrutinise their existing risks and progress made to reduce them. It is good practice for each level to be signed off by the person responsible until one reaches the top of the register itself. It is also an opportunity to identify any emerging new risks for assessment and inclusion in the Risk Register. It is critical that all staff feel empowered to take action to mitigate risks close to the problem identified. When an incident occurs it must be reported but ameliorative action should not wait for long-winded review processes. Boards should seek assurance that their staff teams are encouraged to act in this way to improve safety and care. This requires a risk management culture that is embedded in the organisation but backed up by systematic mechanisms to record and communicate ameliorative actions- the organisation needs to know what has been done to its key systems and controls.

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## 4.3    Roles and Responsibilities:

The Company Secretary is responsible for the production and maintenance of an embedded Board Assurance Framework that is in-line with this guidance and the needs of the Trust.

The key activities of the Company Secretary within the context of the Board Assurance Framework comprise:

- Provide leadership, advice and guidance on the use and benefits of the Board  Assurance Framework.

- Manage the systems that hold the information for the Board Assurance Framework, including the links to KPIs and the Standards for Better Health.

- Regularly input all updates to the Board Assurance Framework.

- Co-ordinate and chase progress on all action plans related to and originating from the Board Assurance Framework.

- Audit and validate the Board Assurance Framework to ensure data integrity.

- Develop reports and procedures related to the Board Assurance Framework.

- Produce governance reports related to the Board Assurance Framework, to be presented to the Trust Board, Audit Committee, other relevant Committees,  Directorates, and individuals.

- Liaise with Internal Audit and as appropriate with SHAs, Monitor, and the Department of Health for all matters relating to the Board Assurance Framework.

- Ensure that the Board Assurance Framework is shared with strategic partners such as PCTs, Local Authorities and other local NHS Trusts.

# 5. INFORMATION USED BY THE BOARD ASSUARNCE FRAMEWORK

The Trust Board and subsidiary committees will review the Trust's Board Assurance Framework regularly. Examples of the information required to produce these reports is set out below:

- The Principal Objectives of the Trust.

- The principal risks identified from a 'top down' review of the Trust's principal objectives and 'bottom up' risks from Directorate Business Plans and activities.

- The source of each principal risk and its risk rating.

- The type of each principal risk: Financial, Clinical, Statutory and Reputation.

- The owner of each principal risk: i.e. the person responsible for ensuring that adequate controls are identified to mitigate the risk, and adequate sources of assurance are sought to confirm that the controls are effective (owners at Board level should be the Executive Directors responsible for the unit/department that the person responsible is located within)

- The controls associated with each principal risk: the things in place to mitigate the risk and assist in securing delivery of the objective - these must be robust and specific, and properly match their associated objective.

- Gaps in control: wherever adequate controls are not in place or not operating.

- Source of assurance: where evidence can be found that the controls are effective – this must identify specific documentary evidence, and be relevant to the associated control(s).

- Assurance status: indicates the actual value of the assurance, i.e. the result of the assessment, investigation or audit, whether this is a surrogate measure or full evidence based.

- Gaps in assurance: where evidence is inadequate that controls are effective.

- Action Plan: what will/is being done to address the gap(s) in control/assurance.

- Action owner: person(s) tasked with completing the action.

- Target date: date by which the action should be completed.

- Highlighting where the risk and assurance is in the hands of strategic partners.

# Appendix A: Useful references

2003 Governing the NHS, Appointments Commission
2004 The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Public Services, OPM and CIPFA, ISBN: 1 898531 86 2
2004 Integrated Governance debate paper, NHS Confederation
2004 Integrated Governance Board Assurance Prompts, NHS CGST
2005 Audit Committee Handbook, DH/HFMA (Gateway 5706)
2005 8th futures forum on governance of patient safety, WHO
2006 Integrated Governance – a handbook for executives and non-executives in healthcare organisations, Dept of Health (Gateway 5947)
2006 The Intelligent Board, William Wells/Appointments Commission
2006 NHS Foundation Trusts Code of Governance, Monitor
2007 The Good governance IG 10 steps and etiquette bookmark
2007 Integrated Governance, Delivering reform on two and half days a month, HFMA
2007 Board Assurance Prompts (BAPs- Northern Ireland)
2007 Integrated Governance, Delivering reform on two and half days a month, HFMA
2007 Monitor, NHS Foundation Trusts: Annual Plans 2007-08
2007 Pandemic flu: A national framework for responding to an influenza pandemic, and supporting guidance, DH Gateway 7569
2007 Partnership Governance Framework and Toolkit, Birmingham City Council,
2007 Governance Framework for significant partnerships, Leeds City Council App III
2008 Board assurance: a guide to building assurance frameworks for reducing healthcare associated infections, DH Gateway 9707
2008 Learning from Investigations, Healthcare Commission
2008 Integrated Governance II- Governance between Organisations debate paper, IHM ISBN 978-1-906877-00-2
2008 GBO Simple Rules and GBO partnership etiquette, GGI/Dynamic Change, IHM ISBN 978-1-906877-02-6
2008 GBO Board Assurance Prompts, Key Questions to ask when scrutinising governance between organisations, IHM ISBN 978-1-906877-01-9

**About the author**

**Dr John Bullivant FIQA** is Director of the Good Governance Institute and joint lead on the Governance between Organisations (GBO) programme. He is the author of the Integrated Governance Handbook (DH 2006), and 'Integrated Governance Delivering reform on two and half days a month' (HFMA, 2007). John is an experienced Trust Board facilitator, with an excellent knowledge of policy, governance and the commissioning of quality in the four health administrations in the UK as well as overseas. He is a former Board director of a health authority and is now visiting senior fellow at the Welsh Institute of Health & Social Care, University of Glamorgan, Fellow and Vice President of the quality section of the Royal Society of Medicine. He is a Fellow of the Institute for Quality Assurance, a peer reviewer for Healthcare Inspectorate Wales and an advisor to a number of organisations including Dynamic Change, Humana Europe and the Open University Business School.  John helped establish the ICSA NHS company secretary professional programme and is currently sitting the exams himself. (J.bullivant@ihm.org.uk)


*The purpose of the Good Governance Institute is to provide and/or assist in the development of good governance in and between health and social care for the benefit of the local community and in particular to help NHS and other organisations provide assurance of joined up service delivery to patients and service users of all ages.*

*The Good Governance Institute develops and maintains the Good Governance Body of Knowledge*

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