Introduction to the Assurance Framework

Why do we need an Assurance Framework?

The Department of Health (DH) first promoted the idea of the Assurance Framework in June 2002 with the publication of the document "Assurance – the Board Agenda". This was followed up with "Building the Assurance Framework: - A Practical Guide for NHS Boards" in March 2003.

Clinical Commissioning Groups (CCGs) are required to demonstrate:

Proper constitutional and governance arrangements, with the capacity and capability to deliver all their duties and responsibilities including financial control, as well as effectively commissioning all the services for which they are responsible"

Domain 4
NHS Accountable Officers are (also) required to provide assurance about the stewardship of the organisation in an annual Governance Statement, included in the annual report and accounts. This governance statement draws together position statements and evidence on governance, risk management and control. A critical element of the governance statement is where the Accountable Officer, supported by the Governing Body/Board, discusses how the organisation's risk management and internal control mechanism work.

The Assurance Framework is a tool that helps support this assessment of the system of internal control.

Setting the Level of the Assurance Framework

The Assurance Framework is, first and foremost, a tool for the Governing Body. To 's ensure that the obligations to stakeholders and the organisation's objectives are met there must be a sound system of internal control and the Governing Body will be required, at least annually, to conduct a review of these internal controls. Whilst the risks to achieving the organisation's strategic objectives should be reduced through these internal controls they can rarely be eliminated.

The Assurance Framework should sketch an outline of the key risks to the organisation, the controls to manage these risks and where assurances can be sought that these controls are working.

The key elements of an effective Assurance Framework are:

- the identification of the principal strategic objectives and principal risks to achieving them
- the controls to manage these risks
- assurances about the effectiveness of the operation of the controls
- identification of any significant gaps in controls
- actions to address these identified gaps.

The Assurance Framework and the Work of the Audit Committee

Introduction

The Audit Committee Handbook places significant emphasis on the assurance framework as the pivotal tool underpinning the Audit Committee's remit of monitoring financial, clinical and all operational risks. This is achieved by gaining quality assurances that the most significant risks to the organisation's strategic goals are being effectively controlled.

The Assurance Framework and the Audit Committee

The Assurance Framework is the key source of evidence that links strategic objectives to risk. The Assurance Framework should follow the structure of the organisation's strategic objectives.

The Audit Committee has two distinct roles in relation to the Assurance Framework:

1. The Audit Committee should provide assurance to the Board on the design and operation of the Assurance Framework and the underlying risk management processes. It should not manage the process of populating the framework (this is the responsibility of the board), but should review the process and format of the framework thereby assuring the framework.

2. The Audit Committee should use the document as the central tool for planning its work and key topics for scrutiny.

Review of the Assurance Framework

The role of the Audit Committee in reviewing the format and layout of the Assurance Framework is to specifically ensure that objectives are appropriate, controls in place are sound and assurances are reliable and of good quality. The organisation's internal auditors will support the Audit Committee in performing the assessment of the Assurance Framework.

The following are the key points for the Audit Committee to assess in relation to the Assurance Framework:

- the organisation's objectives are sufficiently strategic and clearly stated
- the risks to the objectives are strategic and forward looking. The framework should include potential risks and not just residual risk.
- In respect of controls an Audit Committees should question whether:

  - controls are relevant to the risk
  - the risks relate to the organisation's objectives
  - controls are complete in terms of adequacy covering all key risks
  - the Committee should also consider that there is a plan for assurances to be received. In respect of assurances Audit Committees should periodically identify whether assurances received are reliable. In doing so they should consider:

- the nature and source of the body providing the assurance
- the skills and experience of those providing assurance
- the nature and extent of work behind the assurance
- how current the assurance is
- the purpose of the review.

<u>Planning Assurances</u>

The Audit Committee should use the Assurance Framework as part of the audit planning process. The Committee should seek assurances from management, auditors and other external sources of assurances that controls are sound in design and operated consistently.

After reviewing the assurances, as detailed above, the Audit Committee should consider whether additional or alternative assurances are required. The framework should be reviewed in-year to reconfirm the audit plans, particularly in relation to internal audit. This will allow for plans to be adjusted to reflect where there are potentially gaps in assurance or where risks and priorities have changed.

Introduction to Risk Management

What is Risk Management?

Risk management is the identification, assessment, and prioritisation of risk followed by a coordinated and systematic application of resources to minimise, monitor, and control the probability and/or impact of the risk or to maximise the realisation of opportunities. The following is one of many definitions of risk management:

'A process of understanding and managing the risks that the entity is inevitably subject to in attempting to achieve its corporate objectives. For management purposes, risks are usually divided into categories such as operational, financial, legal compliance, information and personnel.'

CIMA Official Terminology,2005

The strategies to manage risk typically include transferring the risk to another party, avoiding the risk, reducing the negative effect or probability of the risk, or even accepting some or all of the potential or actual consequences of a particular risk.

Risk management should be integral to the organisation's culture and is everyone's business and responsibility. In the case of a CCG not only will direct employees of the organisation have a role to play in identifying risk but also all members of the organisation. This latter is particularly important when considering that member practices are the organisation's day to day link with the services it commissions on behalf of its patient population.

To be effective risk management needs to be integrated into the organisation's philosophy, practices and business plans rather than be viewed or practised as a separate programme. When this is achieved, risk management becomes the business of everyone in the organisation.

Risk Management Process

The CCG Governing Body has approved a framework for implementing its approach to risk management. This identifies:

- Accountabilities and responsibilities in the organisation for risk management
- Definition of risk, what is considered a significant risk to the organisation and what is an acceptable risk
- How risks are identified, captured, assessed, scored and monitored
- Processes for treating risks and capturing actions and what impact these actions has on the residual risk
- How frequently risks are reviewed
- The structure and format of risk registers and the levels they are held in the organisation
- Processes for escalating risks through up to the Governing Body
- How the risk management framework underpins and links to the Assurance Framework.