



Board Assurance Framework (BAF)

What is the “Assurance Framework”?

- “an effective and efficient framework ... to give sufficient, continuous and reliable **assurance** on organisational stewardship and the management of major risks to organisational success and delivery of improved, cost effective, public services.”
- “...structured [to] provide reliable **evidence** to underpin the assessment of the risk and control environment for the annual Governance Statement, supported by independent appraisal from the internal audit service.”

Essentially a document bringing together Risk/Assurance/Performance in relation to each Strategic Objective to help “Good Governance”

What is Assurance?




| Assurance | Definition |
|-----------|--------------------------------------|
| Provides | Confidence / Evidence / Certainty |
| To | Strategic Management Team / Board |
| That | What needs to be done is being done. |

Spectrum of Assurance



| | |
|--------------|--|
| Trust | You believe something is happening |
| Enquiry | You have been told something is happening |
| Information | You have been shown information that indicates that something is happening |
| Control | You have assessed the controls and consider them sufficient to ensure something happens consistently |
| Check | There is a process check that shows something happens consistently |
| Verification | Proof is provided that something happened |

Why have Assurance

- Organisations exist to achieve a purpose: their 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, they need to be assured as to what is feasible and practicable with regard to the delivery of its core objectives.
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Lines of Defence



| ‘Three Lines of Defence’ | | |
|---|---|--|
| <p>FIRST Arrangements to ensure objectives are being met and risks managed</p> | <p>SECOND Corporate oversight and compliance functions</p> | <p>THIRD Objective assurance that the system is working, supported by the audit committee</p> |
| Internal Controls | Management And Oversight | Checking Testing |

Lines of Defence



| | |
|--------------------------------------|---|
| First Line Operational Management | Policy and procedures Risk registers Routine reports Management Information & performance data |
| Second Line Management Oversight | Health & Safety Management accounts & financial plans Insurance & legal Delivery of key strategic objectives |
| Third Line Independent Assurance | Regulatory judgements & inspection reports Accreditations External Audit Internal Audit |

Example BAF



Mapping assurance for each Strategic Aim

| Risk Area | First Line | Second Line | Third Line | Adequate Assurance? | Action Required? |
|-----------------------------|---|---------------------------------------|----------------|---------------------|--|
| Financial Health | Departmental Budgets Financial Regulations | Financial Plan Management Accounts | External Audit | Yes | Continue to Monitor |
| Availability of ICT systems | IT Back Up Policy | KPI reporting on system availability | None | No | Internal Audit review of Disaster Recovery |

BAF



- **Builds on fundamentals of Risk Management**
- Strategic Objectives agreed
- Risk Identified & Prioritised for each Strategic Objective, Goal or Key Theme
- **The Framework helps take Risk Management to next level**
- Helps the Board/Management understand, assess and develop the assurances it gets over your top strategic risks.
- **So what sources of assurance does Management / Board have?**
- Evidence for each of the “3 lines of Defence”

Assurance Mapping



Benefits

- Gaining a clear understanding of activities and the assurance gained – and whether it is effective and efficient
- Identifies any gaps in assurance or where it is insufficient
- Highlights duplication or where assurance is disproportionate – possible savings
- Identifies where controls are failing and risks more likely to materialise
- Provides the ability to better focus resources
- Provides evidence to inform the Annual Governance Statement

Risks



Risks to concentrate on should be:

“Those that impact the achievement of the strategic aims set for the organisation”