



BOARD ASSURANCE: A TOOLKIT FOR FURTHER EDUCATION COLLEGES

Do we really know what we think we know?

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FOREWORD

With the requirement for the board to provide an opinion on governance, risk and control in the annual accounts, now is the time for the board to challenge its risk management and board assurance arrangements and ask: 'Do we really know what we think we know?'

Most colleges should know the risks that they face and know the controls that they have in place that keep those risks to an acceptable level. But how do they know those controls are doing the job they should be? This is where the use of an assurance framework can help.

The development of an effective board assurance framework (BAF) is, however, dependent on how successfully you have understood, mitigated and monitored the risks that your college faces. The development of a BAF should be a logical extension of your existing risk management arrangements. There is, however, no harm at this stage in reflecting on your existing risk management arrangements with a view to ensuring that they are fit for purpose. It is critical that the risk management foundation is solid and that you have the knowledge and skills required to build an effective BAF that helps the college prepare for the future.

We all know that the future presents a number of uncertainties that will need to be identified and, where possible, managed. Therefore it is of utmost importance that board members are assured that the arrangements they are putting in place will be effective. They will also need to be assured that they will not be heavily criticised for failing to do something that by its nature, (for example safeguarding) should always be well managed.

In this regard we have seen an increasing number of publicly reported failings in many sectors where over confidence and complacency have combined to have a disastrous effect either for individuals or for whole organisations.

I would therefore encourage all board members to ask themselves the question: 'Do we really know what we think we know?'

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1.0 INTRODUCTION

The Education Act 2011 granted new freedoms and flexibilities to colleges. However, within the legislation, boards retain a non-delegable, statutory, responsibility for:

- '...oversight of its [the college's] activities'; and
- '...the effective and efficient use of resources, the solvency of the institution and the body, and the safeguarding of their assets'.

These responsibilities are not new and all colleges are well aware of what is expected of them in fulfilling these responsibilities at both strategic and operational levels.

Allied to the above, the Joint Audit Code of Practice (JACoP) has also granted additional freedoms to all colleges, including the removal of the mandatory requirement to have an internal audit service.

As a direct consequence of these increased freedoms, the Skills Funding Agency (SFA) and Education Funding Agency (EFA) are seeking a more explicit form of accountability from boards. In particular, the accounts direction now requires a formal opinion to be given in the Statement of Corporate Governance and Internal Control in the annual accounts to the effect that:

'...the Corporation is of the opinion that the college [has/ does not have] an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for 'the effective and efficient use of resources, the solvency of the institution and the body, and the safeguarding of their assets'.

Given the nature of the opinion required, one of the audit committee's key roles for the future is advising the board on the adequacy and effectiveness of the board's assurance framework such that the board is able to provide the necessary opinion in the accounts. This is a significant shift in emphasis and responsibility from advising the board what it has to do (as it used to be under the previous, prescriptive, Audit Code of Practice), to advising them on what it should do.

At a practical level, the determination of a BAF will, we believe, enable colleges to make an informed judgement over what assurances they require to evidence the above opinion, how frequently, and from which source(s).

With the requirement for the board to provide an opinion, now is the time for the board to challenge its risk management arrangements and ask: 'Do we really know what we think we know?'

As a firm, we have seen BAF's implemented in other parts of the public sector, particularly the NHS and housing, and have helped many clients develop frameworks to suit their particular needs. Given our provision of audit and assurance services to a significant number of colleges nationally, we thought it only right and proper that we share our experience with you and provide support to the sector through the provision of this free toolkit.



A STRUCTURE WITHIN WHICH THE [COLLEGE] IDENTIFIES THE PRINCIPAL RISKS...OF NOT DELIVERING ON ITS VISION AND VALUES AND NOT ACHIEVING ITS STRATEGIC GOALS; ESTABLISHES THE SYSTEMS AND CONTROLS NECESSARY TO MANAGE AND MITIGATE THOSE RISKS; AND RECEIVES ADEQUATE ASSURANCES ABOUT THE EFFECTIVENESS OF THOSE SYSTEMS AND CONTROLS.¹

2.0 CORE ASPECTS OF A BOARD ASSURANCE FRAMEWORK

2.1 WHAT IS A BOARD ASSURANCE FRAMEWORK?

BAFs are not new and have been used for a number of years in other sectors.

Within the education sector, a BAF has previously been defined as stated in the panel above.

The development of a BAF should be a logical extension of the college's existing risk management arrangements. It is important therefore that you are satisfied with how your college understands and implements risk management, and that you maintain a good grasp of the risks and opportunities that it faces.

If these arrangements are effective they will help you to understand the process and control environment, and help you answer the core questions:

- What do we want assurance over; and
- How much assurance do we need?

Developing and maintaining a BAF is not, and should not be, a separate activity, but rather an embedded tool of management. As a natural extension of risk management, it would be reasonable to incorporate your BAF policy² and procedures into your risk management documentation.

1. Education Funding Agency/Sixth Form Colleges' Association – Guidance on the Implications Following Rationalisation of Audit Arrangements for Sixth Form Colleges.

2. We have included an example BAF policy at Appendix 1.

2.2 WHAT IS MEANT BY 'ASSURANCE'?

The word assurance is used a lot in everyday language and can mean different things to different people. In the context in which this guidance is being written, and based on feedback from colleges.

ASSURANCE	DEFINITION
Provides	Confidence / evidence / certainty
To	Managers / the principal (as accounting officer) / governors (individually and collectively)
That	That which needs to be done (operationally and strategically) is being done

This is clearly a very broad, and loose, definition. It is important that everyone involved in developing, implementing and maintaining the BAF is clear on what is meant by assurance for their own college and where that assurance comes from. The question the board and management should be asking themselves is 'Do we really know what we think we know?'

2.3 WHAT IS ASSURANCE MAPPING?

Assurance mapping is a key part of the overall BAF. It provides organisations with an improved ability to understand and confirm that they 'Do really know what they think they know'.

Assurance mapping identifies and records the key sources of assurance that inform management and the board on the effectiveness of the key controls/processes that are relied upon to manage risk and achieve the college's objectives. More detail is provided in section 3, but, for example, sources of assurance could include:

- management review of checks (eg approved financial procedures);
- a cross organisational review (eg review of sickness and absence);
- internal audit reports; and
- inspection/review by an external body (eg Ofsted).

The above examples are far from exhaustive and you will find when you start looking that you receive assurances from a whole host of sources, both internal and external. In Appendix 2 we have provided some examples of different sources of assurances for the education sector.

The aim of assurance mapping is to provide a comprehensive picture of where the college receives assurance, has too much, is duplicated, or has none at all, and are they set at the right level to meet your needs. You may also want to consider the independence of any assurance provided in terms of how much reliance or comfort you can take from it.

2.4 WHY SHOULD WE DO ASSURANCE MAPPING?

'Do you really know what you think you know?'

Everyone at some stage has believed, or assumed, that because something negative hasn't happened that the 'controls' in place must be working.

But how many times have we read in the press of financial, safeguarding or fraud issues arising at organisations that seemingly had controls in place to manage key risks? In many of these cases controls were in place to manage the risks, but assurance was not obtained that they were being applied effectively.

If something did go wrong, or an opportunity is missed, could you find yourself saying 'I thought X had done it' or asking the question 'who checked that it was done'? When you agree to sign the opinion in the annual accounts, how do you really know that the internal controls are working effectively?

You have the freedom to decide on whether you obtain assurance from internal audit, or some other source, or none at all. But how do you make that decision? By developing a BAF, and understanding the assurances you require, you are enabling that informed decision.

However, developing a BAF, and particularly the assurance mapping process, needs resources (mainly time), so it is important to understand what the benefits are. The benefits themselves though, to a large extent, fall out of the challenges faced by management, Audit Committees and Boards in the sector, as outlined in Fig 2.4.1.

Fig: 2.4.1

MANAGEMENT	ADULT COMMITTEE	BOARD
What assurances do they have that processes and controls are effective that will result in achievement of corporate objectives?	Provide advice to board on the status of governance, risk and internal controls. Where do they get their assurances from?	Collectively responsible for all decisions and must provide an opinion each year within the statement of corporate governance and internal control.

The application of the BAF will help management and the board to consider collectively the process of securing assurance using a formal structure that promotes good organisational governance and accountability.

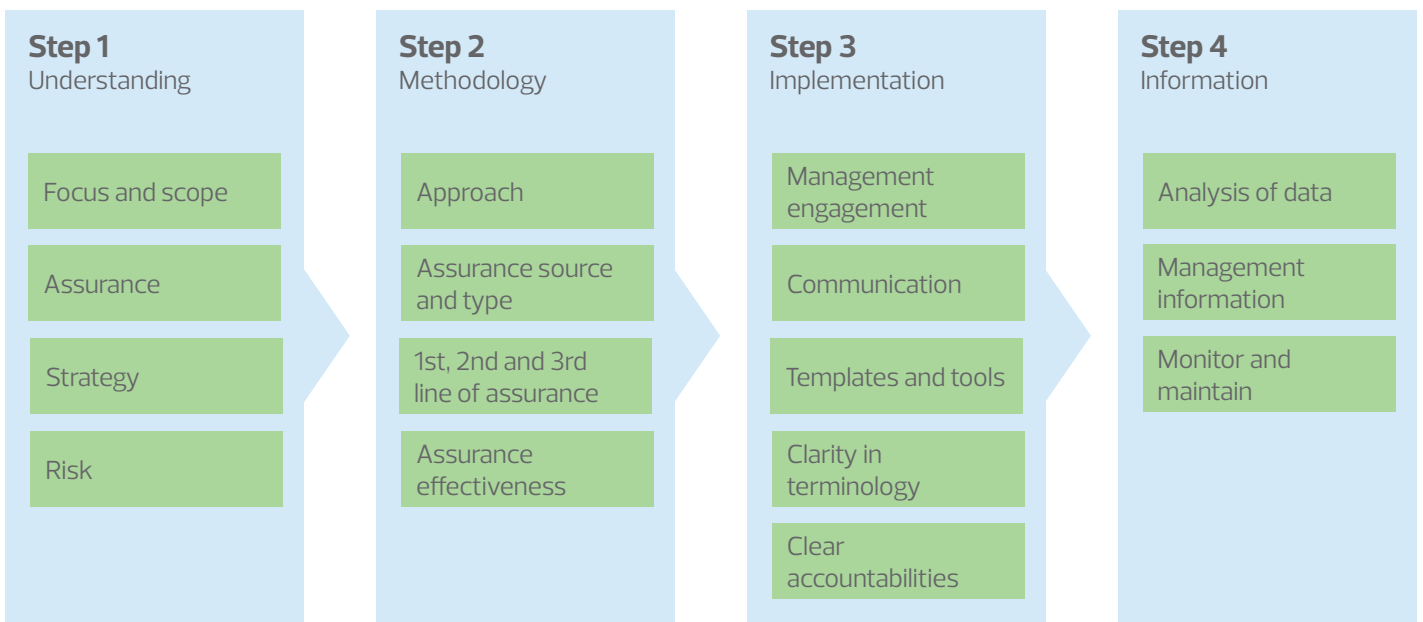
The specific benefits of an embedded BAF include:

- gaining a clear and complete understanding of the services you deliver, the activities undertaken and the types of assurance currently obtained, and consideration as to whether they are effective and efficient;
- identifying areas where assurance activities are not present, or are insufficient for your needs (assurance gaps);
- identifying areas where assurance is duplicated, or is disproportionate to the risk of the activity being undertaken (ie there is scope for efficiency gains, reduction of duplication of effort and/or a freeing up of resource);
- identifying areas where existing controls are failing and as a consequence the risks that are more likely to occur;
- the ability to better focus existing assurance resources; and
- providing an evidence base to assist the college in the preparation of its annual statement of corporate governance and internal control.

3.0 PRACTICAL DEVELOPMENT OF THE BOARD ASSURANCE FRAMEWORK

We have split the development of the BAF into four basic steps, as outlined below in Fig 3.0.1. In the rest of this section we will go through each step in more detail. What is likely to be the most time consuming though will be the internal discussions over what assurances are actually wanted/needed.

Fig 3.0.1: Board assurance framework steps



3.1 STEP 1: UNDERSTANDING

Focus and scope

The purpose of the framework is to help the college determine how it will gain assurance over the effectiveness of controls that the organisation relies upon to achieve its objectives. It is important therefore that the scope of the framework is set in the context of the college's objectives.

Strategy

Setting the college's strategic goals, and then seeking assurances around the operation of controls and processes aimed at delivering those goals, is an iterative process as the assurances received (or lack of assurance received) can be used also to inform and revise the goals set. In the first instance, and initially at a reasonably high-level we would suggest, you will need to think about what you want assurance over both in terms of strategic goals and any 'business as usual' activities (see Fig 3.2.2 splits out the 'business as usual' risks and assurances).

Assurance

This toolkit should aid the understanding of what assurance and assurance mapping is, and how you can tailor these to meet your college's needs. It is important that the understanding of assurance is developed across the college as this will contribute to the buy-in from those involved, consistency in the application of processes and the production of good quality management information.

Risk

Take a look at how your college understands and implements risk management. Do you have a good grasp of the risks and opportunities that it faces, and do you understand your process and control environment that you seek assurance over? When you start to map assurances, what risks are you going to cover: all risks? strategic? business as usual? a mixture of all three?

3.2 STEP 2: METHODOLOGY

There are two methodologies available to base the BAF on; risk based and process based. As colleges have had risk management in place for many years, we will concentrate on the risk-based approach.

The risk based approach looks at providing assurance over the key controls in place that mitigate the risks that threaten (or provide opportunity for) achievement of your objectives, and builds on the foundation laid by your current risk management process. This risk based approach is illustrated as a tree of data, with branches expanding to become your identified controls (see Fig 3.2.1).

In taking the risk based approach it is worth asking the question 'does your risk register list all the significant risks that the college faces?' One way of helping to answer that question is to consider each of the risks identified and appraise whether they are 'business as usual (BAU)' or 'exceptional' risks, the difference being outlined below (see Fig 3.2.2).

Fig 3.2.1: Objective, risks and controls tree

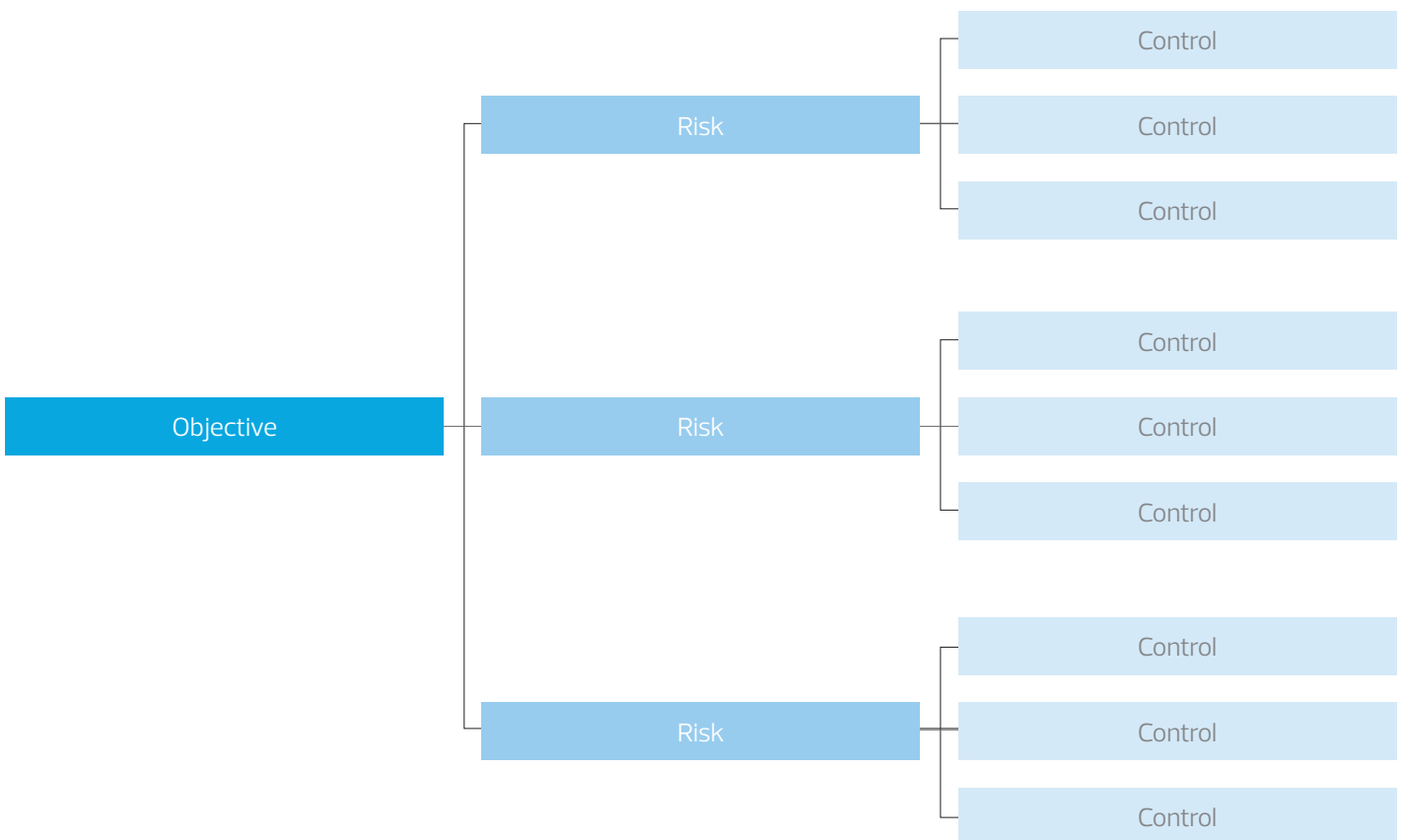
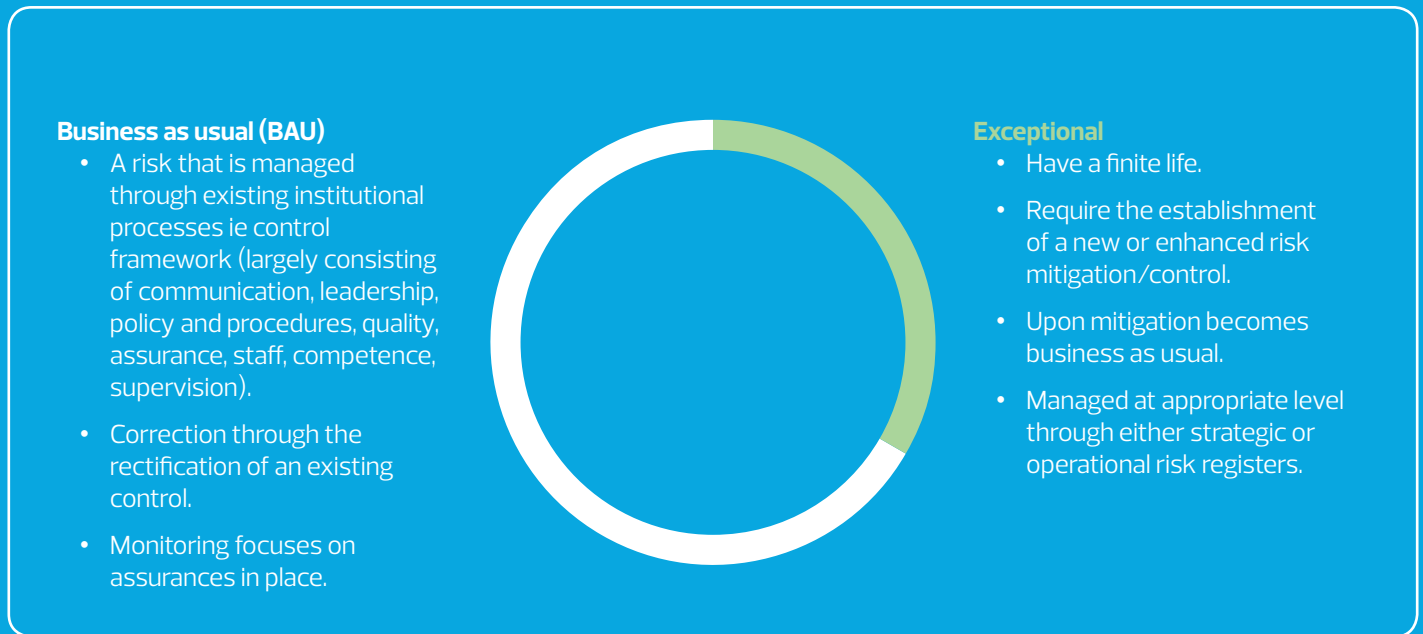




Fig 3.2.2: Business as usual risk versus exceptional risk



Those risks that are BAU typically make up the larger part of the risk profile that a college needs to manage. They are not risks that you need to take specific action over per se, but are the ones where organisations rely on the continuing operation of established controls. These BAU risks are as valid to seek assurance over as exceptional ones, but are not always reflected on risk registers.

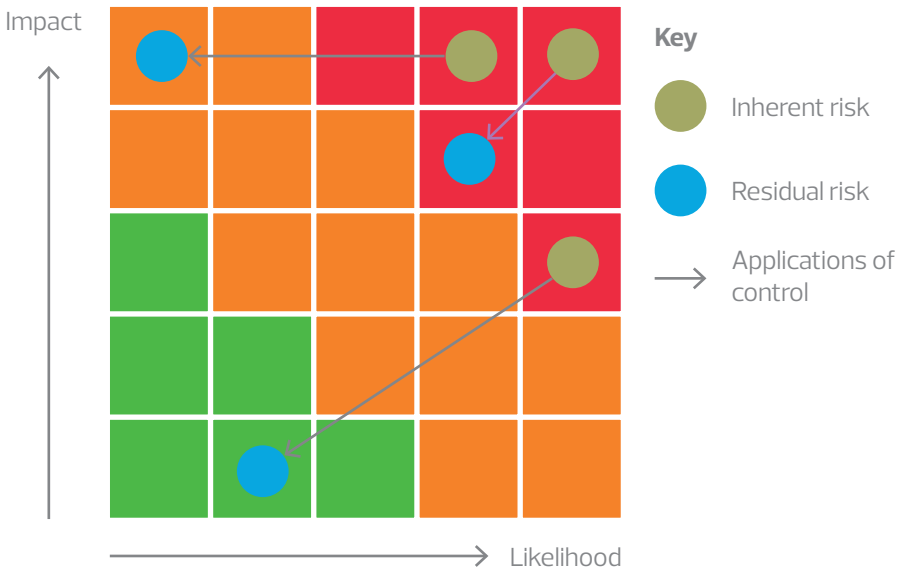
The structure of your risk information should include the following key elements in order to provide a strong foundation for the assurances to be mapped and to assist in prioritising of resources:

- clear and concise risk descriptions;
- risks linked to corporate objectives;
- detailed cause & effect analysis;
- detailed list of key controls;
- 'Inherent' (gross) assessment (before controls) and 'residual' (net) assessment (after controls) of the risk; and
- details of planned action and implementation dates.

If you are in a situation where you are satisfied that the risk data that you hold is sufficient then you can start to record the sources of assurances for each of the controls. Before you start mapping assurances for all existing controls it is sensible to prioritise what you focus on, especially as resources are not infinite and the BAF should be seen as adding, not detracting, value.

The majority of the risk management frameworks we come across prioritise risks using simple grading structures such as high, medium, low or a RAG rating (red, amber, green). This is where the inherent and residual assessments are invaluable as they provide the driver for whether a college should seek assurance, or focus attention on taking further action to manage the risk.

Fig 3.2.3: Heat map

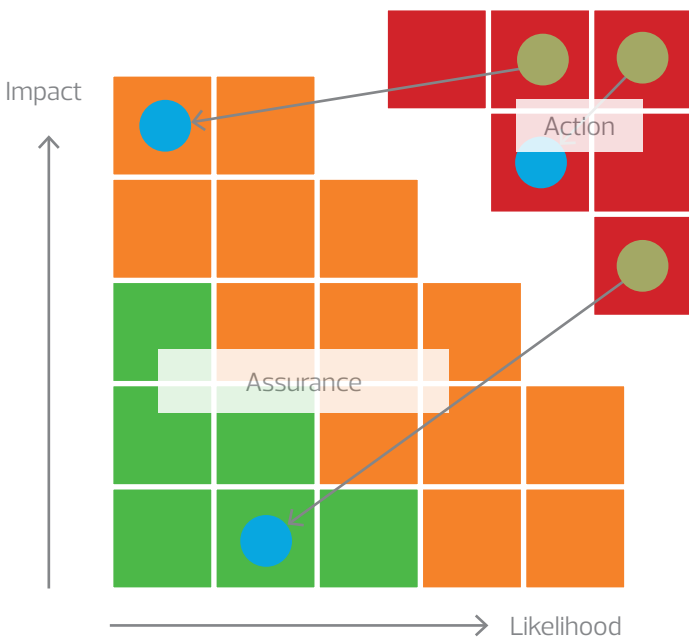


The risk matrix (heat map) in Fig 3.2.3 illustrates the profile of a set of risks. Each risk is represented with a pair of circles. The green circle represents the inherent risk classification and the blue circle represents the residual risk classification.

What the heat map shows is that the (residual) risk in the red sector requires the college to take action (where possible) to further mitigate the risk. Those (residual) risks that fall within the amber and green sectors are those risks that have been mitigated through the application of existing controls. Therefore the focus should be on (1) deciding if the residual risk is now within the college's appetite/tolerance for that risk; and then (2) obtaining assurance over the effectiveness of the controls in place.

So what does this heat map tell us in the context of where the board should seek assurances and therefore should be assurance mapping? To help we have split the heat map into two sections, as illustrated in Fig 3.2.4.

Fig 3.2.4: Heat map – Obtain assurance or take action



The heat map also highlights that the greater the difference in locations between the Inherent score and the residual score of a risk, the greater the contribution that the existing controls have in mitigating the risk the college is exposed to. Therefore, to further prioritise where to seek assurance, you could look at the risks that have moved furthest from the highest inherent score to the lowest residual score.

The inherent and residual risk scores can also help you decide on the frequency that you require assurance, and whether independent assurance is required to provide the board with the desired level of comfort. This allows you to identify the assurance appetite of the board. The table at 3.2.5 is an example of this in practice.

Table 3.2.5: Suggested risk classification drivers for assurance

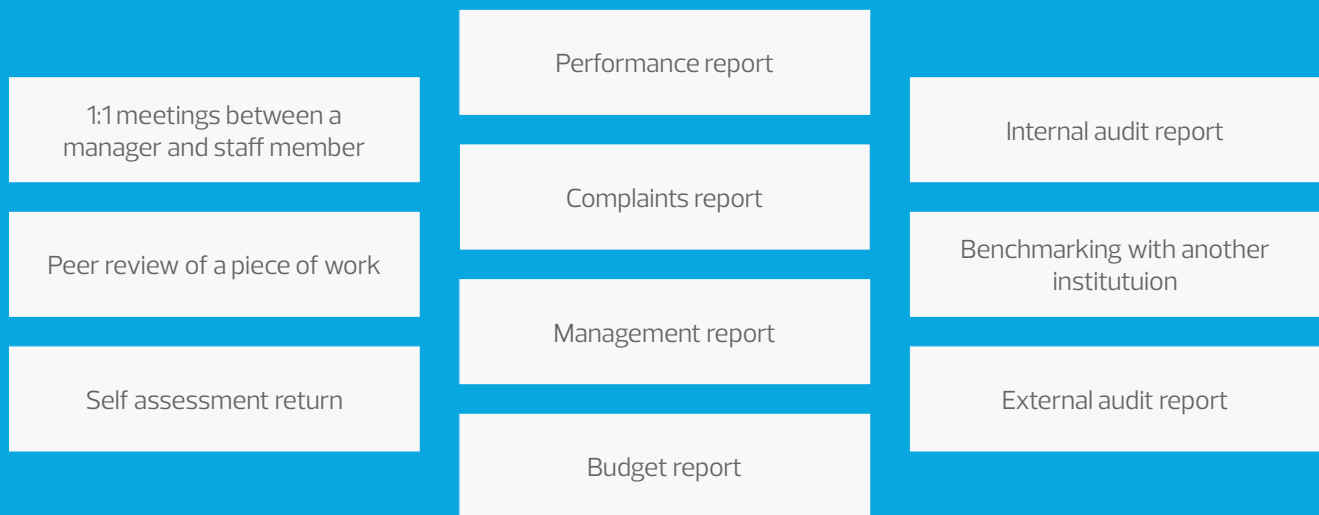
INHERENT RISK CLASSIFICATION	RESIDUAL RISK CLASSIFICATION	ACTION AND/OR ASSURANCE ACTIVITIES
High	High	Management attention should be focused on implementing actions to improve existing controls or introduce new ones within the next term.
	Medium	Termly sign off of the existing control effectiveness by management and monitor progress of the implementation of further mitigating actions. Independent assurance obtained within the next 6 months.
	Low	Termly sign off of the existing control effectiveness by management. Independent assurance obtained within the next 6 months.
Medium	Medium	Dependent on the college's risk appetite and ability to further influence the Risk Management attention should be focused on identifying and implementing actions within the next six months.
	Low	Six monthly sign off of the existing controls effectiveness by management. Independent assurance obtained within the next 18 months.
Low	Low	Little / no assurance required.



Sources and types of assurance

What sources of assurance are there? Included below are examples of assurance sources that a particular activity, process or control is operating as expected.

Fig: 3.2.6: Examples of sources of assurance



Appendix 2 provides some common examples of assurance in the education sector, whereas table 3.2.7 covers some of the different types of assurances that are available and already embedded into college day to day management.

Table 3.2.7: Examples of types of assurance

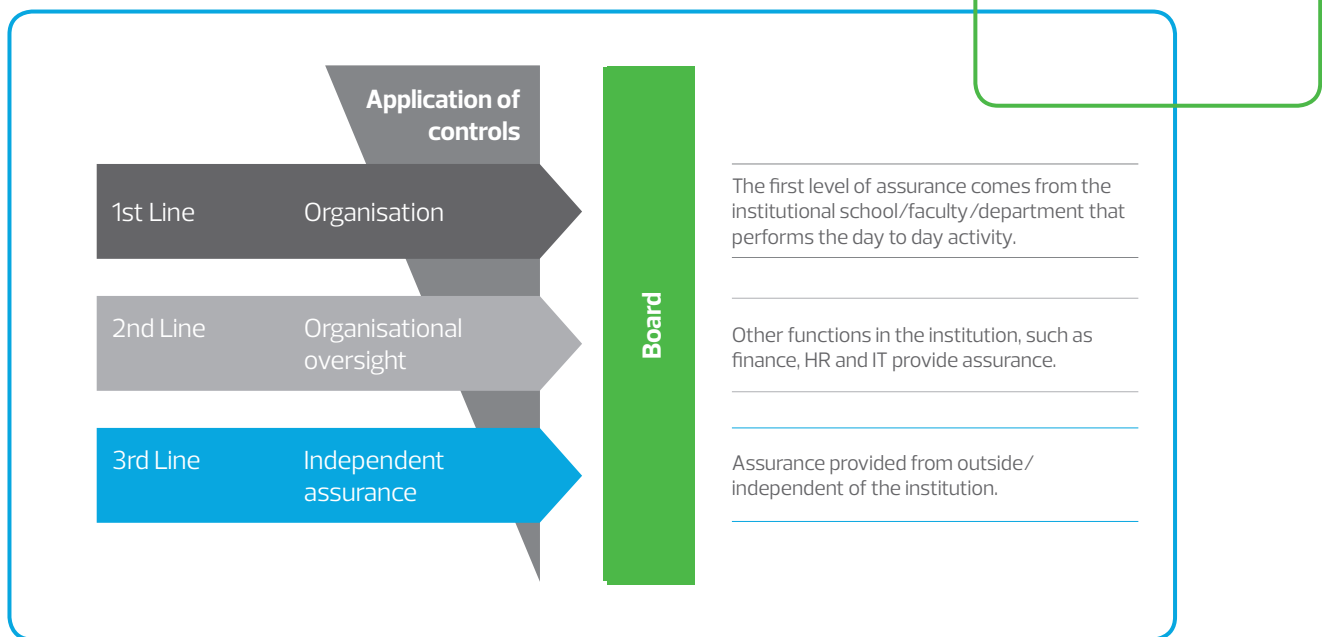
TYPE	HOW IT PROVIDES ASSURANCE
Meeting/discussion	Often these provide opportunities for management to ask questions about how things are going. The assurance could be based on a person's word or notes of meetings.
Checks (sometimes this can be a review of work or even a walk around a site)	A quality check that something has been completed based on visual or substantive evidence.
Reports	These could be regular reports, such as termly performance information or monthly finance reports that provide management information that will indicate how a control may be being applied, based on outcomes.

Most of these will be evidenced (for example meeting minutes, checklists) whilst some may be more informal (such as a 1-1 discussions). Collectively, these are often referred to as the three lines of defence, or 3 lines of assurance in this context.

First, second and third lines of assurance

The assurances that an institution receives can be broken down into the three line model as illustrated below.

Fig 3.2.8: The three lines of assurance



Control effectiveness

Once you have identified a source of assurance you need to then establish what it is telling you about the effectiveness of the risk(s)/control(s) it covers. The level of control effectiveness at the first and second line may be subjective as it may be provided through a self-assessment approach i.e. by the person(s) receiving the assurance or responsible for the controls.

At the third line, it is common for independent assurance providers to issue a form of opinion (assurance) as to the design, operation and level of effectiveness of the controls reviewed. For each source of assurance that is identified you can then rate what it tells you about the effectiveness of the controls.

Table 3.2.9: Suggested control effectiveness ratings

HIGH	MEDIUM	LOW
Full assurance provided over the effectiveness of controls.	Some assurances in place, or substantial assurance in place, but controls are still maturing so effectiveness cannot be fully assessed at this time.	Assurance indicates poor effectiveness of controls.

3.3 STEP 3: IMPLEMENTATION

Management engagement

It is likely that assurance mapping will involve most members of the senior and middle management teams at some point, and therefore their support and engagement with the process is essential.

A key part of engagement is in the understanding and making assurances real.

In our experience, undertaking a pilot exercise with a small number of risks from your risk register and mapping the assurances already in place over the key controls aids understanding on how the process works and also encourages people to focus, at least initially, just on the key risks.

Identify the roles and responsibilities around assurance

The application of a BAF can be a logical extension to your existing risk management arrangements. Colleges already have key defined roles, such as the board, audit committee, management, staff etc., and the extension to this is through additional responsibilities of these groups, such as:

- Who will be responsible for updating assurance data?
- Who will be responsible for producing management information reports based on the assurance data collected?
- Who will be responsible for reviewing management information? and
- Who will be responsible for ensuring appropriate resources are identified for the development, implementation and maintenance of the assurance framework?

Templates and tools

Development of a BAF inevitably means collecting data, so you need to consider how you will record it. The approach discussed at Step 2 above should help you identify the data you need, but to assist further, we have included assurance map templates – risk based (suggestions only – not definitive best practice) in Appendix 3.

There are a number of approaches you can take to identify assurances and complete your Assurance Map:

- ask individual managers to record all the assurances they rely on;
- conduct a workshop with the management team;
- complete 1-1 sessions with risk owners;
- review internal and external audit reports and any other third party reports to identify the assurances they provide; and
- review internal management, committee and board meetings minutes/agenda.

Clear accountabilities

It has been said time and time again, processes fail where there is no accountability to deliver. Ensuring that accountability lines are clear, defined and and communicated to everyone involved, including timescales for implementation and the on-going maintenance of the Assurance Map is a key priority.

3.4 STEP 4: MANAGEMENT INFORMATION

With any data collection process, some form of validation is required to ensure the data captured is complete and consistent. Once validated, the data needs to be used to generate meaningful management information. It is likely though that it will take a few iterations to get the information into a format that management, the audit committee and board are satisfied with as providing the 'right' information and in the 'right' format.

Analysis of data

In our experience, there will be an element of data analysis required to produce the information required. Some examples of the analysis required would include: :

- assessing the overall control effectiveness based on the RAG ratings provided for the first, second and third lines of assurance (referred to earlier), and then establishing what action is required;
- identifying those controls with no third line assurance; and
- identify those controls where there is a Low (RED) level of effectiveness identified.

Producing management information

Once you have completed your data analysis you will need to present it in a way that readers and stakeholders will be engaged with it. The following example follows a similar format to that used by many organisations for reporting on risk management. It shows how a risk is mitigated through the internal controls, and then the different sources of assurance that are in place to inform on the effectiveness of those controls.

Fig 3.4.1: Controls assurance report

CORPORATE RISK

Risk ref	Risk title	Residual risk priority	Risk control	Assurance source	Assurance given	Assurance type	Assurance level	Assurance date
5	Failure to maintain a positive financial position	6 3	Financial procedures and processes	Internal audit review	Yes	3rd line	High	21/05/2013
Medium		Cash flow management process	Termly report reviewed by finance & resources committee	Yes	2nd line	Medium	14/10/2013	
		Scan for funding opportunities	Funding opportunity tracker spreadsheet maintained and discussed each month at leadership team	Yes	2nd line	Medium	21/08/2013	
		Budget setting process		No	N/A	None		
		Monthly budget monitoring	Monthly budget update produced by head of department	Yes	1st line	Medium	14/10/2013	

Produced using 4risk™, part of the RSM Insight4GRC software suite: insight4grc.rsmuk.com

Below (Fig 3.4.2) is an illustration of how the control effectiveness assessments from each line of assurance can be aggregated into an overall assessment.

Fig 3.4.2: Illustration of overall assessment of assurance

Area: Human resources

Activity: recruitment

Process	1st line	2nd line	3rd line	Overall assurance
DBS checks	HR confirm	Finance check	Internal audit	Review annually
Qualifications	HR confirm	None	None	Monitor/action
References	HR confirm	None	None	Monitor/action
Financial vetting	HR confirm	Finance check	Internal audit	Action required

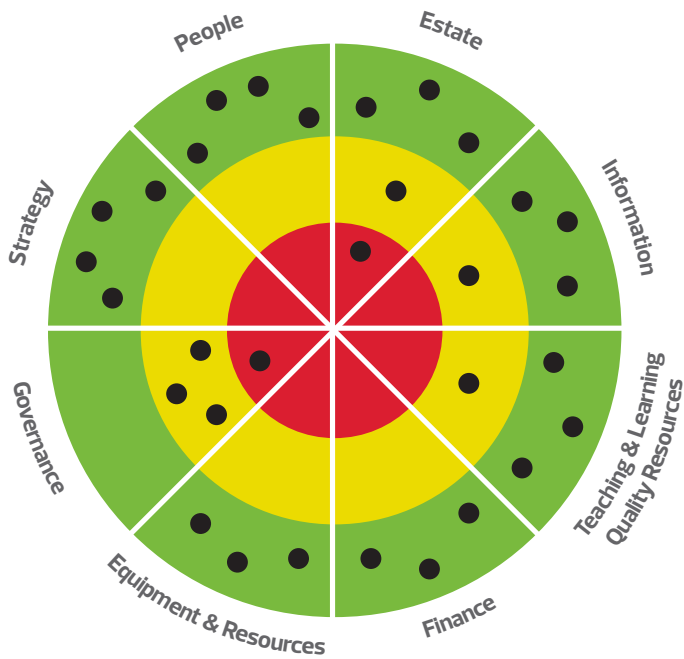
What the above tells us: If we walk through financial vetting, the 1st and 2nd line assurances are indicating that the controls are effective (green), but when the control framework has been reviewed by internal audit some fundamental control weaknesses have been identified (red). The overall control effectiveness has been marked therefore as red and that action is required to improve the controls in place for financial vetting.

If we consider the processes of qualifications and references, there is no 2nd or 3rd line of assurance (none), so overall in this example they have been marked as amber to highlight that the controls need to be monitored more closely and perhaps action taken to introduce further assurance, either at the 2nd line or from an independent source at the 3rd line.

Finally it appears that assurance is obtained at all three lines for DBS checks and none of them have highlighted any control weaknesses (all green).

The analysis is at quite a detailed level; to display this level of information for all college activities and process would require a substantial document, which is unlikely to be appropriate for the audit committee or board who will require a concise snapshot. Appendix 5 presents a dashboard that displays the assurance obtained under each of the three lines of assurance on a risk by risk basis and assumes that the level of assurance is over all controls that manage each particular risk.

Fig 3.4.3: Assurance radar



● Represents the control/process

So what does the assurance radar tell us?

Another form of an assurance diagram (Fig 3.4.3) opposite shows the level of assurance over particular controls/ process for the core operational activities of the college. In this example on the assurance radar, 'finance', 'people' and 'equipment & resources' are all green.

If we look in the centre there are two processes where the overall assurance is red (low). One relates to governance and the other relates to estates. Looking across all of the governance processes, it suggests that the college may have some more challenging issues with regards to its governance arrangements, with no controls deemed effective.

The idea is that this diagram supports reporting by exception and would be underpinned by additional detail for the two weak processes, i.e. the controls have been identified as not effective.

Updating and on-going monitoring of assurance

As with risk management, managing your assurances through the BAF is an on-going process. The BAF, like your risk register, should be a document that is updated throughout the year. To ensure that the process is useful, the frequency with which updates are required should be considered as part of setting your assurance policy, but may also evolve over time with familiarity.

4.0 CONCLUDING COMMENTS

The successful and sustained achievement of an organisation's objectives is reliant on robust governance and risk management processes. This means the board needs to be clear about what it wants to achieve, knows what the measures of success will look like, is open and honest in its dealings and alive to the key risks being faced within and outside of its operating environment, both at strategic and tactical level. For this to be made a reality, the board needs to put in place a suitable assurance framework that provides them with the level of confidence they require.

The RSM board assurance framework tool kit is designed to help your college in its thinking with regard to the design and application of its board assurance arrangements and how this might be achieved. However, most importantly the BAF will only ever be as effective as the board itself, the way in which it engages and uses the assurance outcomes to inform decision making, or instigate further check, challenge and investigation where concerns exist so that it can firmly say 'we do know what we think we know'.

As further uncertainties and insecurities, as well as opportunities, present themselves in the education sector, and the responses become increasingly more innovative and in deed risky, it is crucial that the board ensure that their governance and risk management arrangements are sufficiently robust to cope. Taking a good hard look at how the board is assured and that these arrangements are fit for purpose is well worth the time and effort.

The BAF preparedness assessment included as part of this tool kit should provide a good measure of progress being made, as well as highlighting areas that need to be developed further.

BOARD ASSURANCE FRAMEWORK PREPAREDNESS ASSESSMENT

We would recommend that all institutions assess themselves with regards to their board assurance framework preparedness.

1 = Not yet established/fit for purpose.

2 = Exist, but further improvement required.

3 = Fully effective.

BOARD ASSURANCE FRAMEWORK PREPAREDNESS	ASSESSMENT OF PREPAREDNESS		
	1	2	3
1. The college's business plan objectives are clearly defined and understood?			
2. The college has a clearly defined approach to the management of risk?			
3. The college's approach to the management of risk ensures the focus is on those risks that will have a material impact on the achievement of the college objectives?			
4. The college has a clear understanding of risk mitigation, including existing controls and planned actions?			
5. The college has clearly established risk management reporting and monitoring?			
6. There is commitment to the development of the BAF from the top of the college and this is shared throughout?			
7. The college has established a board assurance policy and plan that is integrated with its risk management and other management arrangements?			
8. There is a clearly defined structure within the college that will support the development, establishment and embedding of the BAF?			
9. The college has clearly defined roles and specified responsibilities in connection with the application and operation of the BAF?			
10. The BAF monitoring and review arrangements have been defined for the purposes of ensuring the right information gets to the right place and people to aid risk management and assurance decision-making?			
11. The BAF produces useful information?			
12. The college has mechanisms in place to ensure communication of outcomes from the risk management and BAF to inform the organisation of issues arising?			
13. The board is clear about its roles and responsibilities and feels that these are discharged effectively?			
14. At least annually the board undertakes a review of its own effectiveness and this is used to inform a board improvement / development plan?			

APPENDIX 1

Example board assurance framework policy

Introduction

1. The BAF enables the college to be confident (be assured) that the controls applied in the mitigation of risk are operating effectively. Therefore this is a key element of the risk management process.
2. The application of the BAF will help the board members to consider collectively the process of securing assurance via a formal structure that promotes good organisational governance and accountability in order to deliver on its key objectives.
3. The BAF established will be proportionate to the level of assurance required, whilst being suitably robust and transparent, and sufficient to underpin the production of the Annual Statement of Corporate Governance and Internal Control.
4. The board fully accepts their responsibilities in connection with assurance and they will oversee its application through the implementation of the BAF.
5. It is the board's policy to ensure that they receive appropriate assurances that all key controls and mitigation are effective where they contribute to reducing the risk the college faces. The BAF procedures, assurance map and management information that is provided from it identifies the following:
 - the frequency on which assurance is obtained will be required;
 - the source of assurance provision i.e. who and what; and
 - a description of the level of assurance i.e. what is deemed as effective regards the operation of a control/ mitigating action.

Objectives

6. The primary objective of the BAF is to ensure that appropriate arrangements are established for the purpose of providing the board with assurance that the controls put in place to mitigate the college's exposure to risk; in the achievement of its business objectives; can be assessed for their effectiveness. The arrangements will be:
 - proportionate to the level of risk and assurance required by the board;
 - transparent;
 - consistently applied across the college; and
 - efficient, effective and reliable for their purpose.
7. The BAF puts responsibility for the system of internal control at board level and this encompasses the following:
 - setting appropriate policies on internal control;
 - seeking assurance that will enable the board to satisfy itself that the system is functioning effectively; and
 - ensuring that the system of internal control is effective in managing risks in the manner the board has approved.

Review of the assurance strategy

8. The college will maintain its objectives and the associated risks, controls, potential sources of assurance, actual assurances received and gaps in control or assurance on a termly basis.
9. The board will review the complete assurance strategy at least annually as part of the risk management and BAF.

APPENDIX 2

Examples of assurance source

1ST LINE	2ND LINE	3RD LINE
Exam manager's excel spread sheets tracking assessment	College operations group	Ofsted inspection
Exam manager's results analysis spread sheet	Management dashboard	External verifiers' reports
Ips (study support)	Management information from budget review process	'College inspector'
Support referral system	Management information from 'xyz' database	External audit
Team meetings (it, tutorial, aspire and literacy /skills)	Management information from performance management system	Internal audit
Student support meeting minutes	Feedback from head of dept accountability meetings	Peer review
Department self assessment	Financial management group	Sfa accountability review
Departmental team meetings	Governor meetings audit, f&gp and full board	External consultants (i.e. Managing project costs)
Three weekly accountability meetings with heads of dept	Student voice	On-line data collections system reports (ilr data validity)
Annual curriculum review meetings with heads of dept	Quality assurance framework	Independent benchmarking
Departmental performance information	Monthly monitoring meetings with key managers	

APPENDIX 3

Assurance map suggested templates – risk based

CAUSE & EFFECT	CAUSE & EFFECT	INHERENT RISK RATING	EXISTING CONTROLS	RESIDUAL RISK RATING	ASSURANCE				ADDITIONAL CONTROLS AND/OR ASSURANCES REQUIRED
					1ST	2ND	3RD	OVERALL	
Risk title Risk owner Corporate objective(s)	Cause(s) • X • Y • X Effect(s) • X • Y • Z	Impact: Likelihood: Rating:		Impact: Likelihood: Rating:					Action detail, action owner, action date.
Risk title Risk owner Corporate objective(s)	Cause(s) • X • Y • X Effect(s) • X • Y • Z			Impact: Likelihood: Rating:					Action detail, action owner, action date.

APPENDIX 5

Assurance dashboard

SOURCES OF ASSURANCE

EXAMPLE KEY RISKS	Risk assessment		1st line of assurance			2nd line of assurance				3rd line of assurance						
	Inherent (pre controls)	Residual (post controls)	Mgmt. reviews	Mgmt. info	Self assess process	Compliance	Quality	Group functions	Risk mngt	EFA	3rd parties	Partners	Regulator	Internal audit	External audit	Other
	Enrolment	Critical	Minor	Medium	Critical	Medium	Critical				High					
Funding	Critical	Medium	High	High	Medium	High	Medium				Medium			Medium		
Managment	Critical	High	High	High	Medium	High	Medium	Critical								High
HSE	Critical	Medium		High			High	High		High			Critical			
Change programme	Critical	High					Medium	Medium	Critical							
Compliance	Critical	High			Critical	None	Critical	Critical	Critical				High	Critical		Critical
Succession planning	Critical	Medium	Critical													
Data/IP security	Medium	Medium	Medium	Medium	Medium											
Partnerships/ contracts	Medium	High	Medium	High		High	Medium	Medium	Medium			Critical		Medium		
Etc...	Medium	Medium	High			High										

Risk classification

Critical
Medium
Minor

Level of assurance

High	Medium	Low	None
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APPENDIX 6

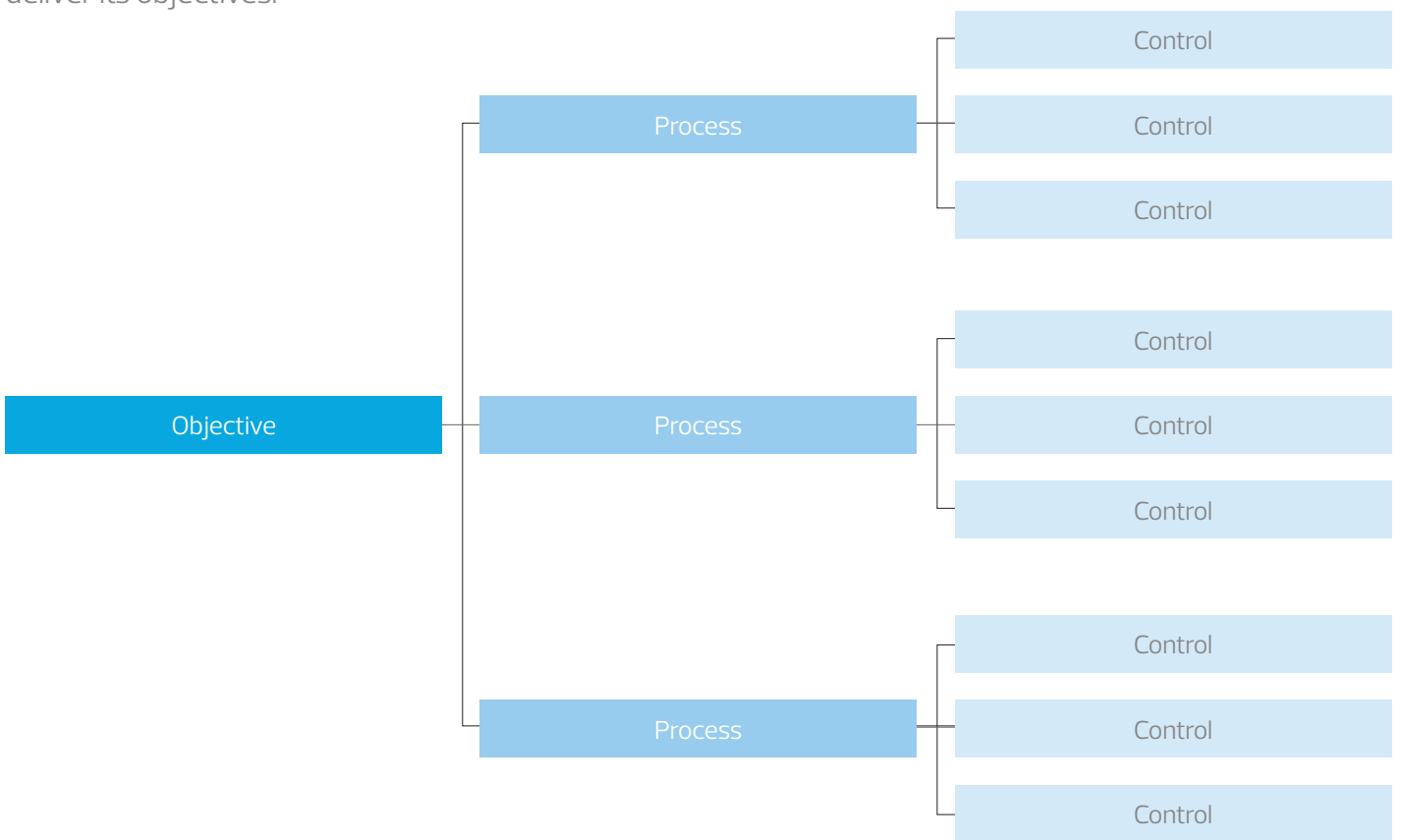
Assurance framework tips:

- document your policy and procedures that support why you have developed an assurance framework and how it is going to work. Consider documenting your assurance framework policy and procedures as part of your existing risk management documentation to create an all-encompassing risk and assurance framework policy and a combined procedure document;
- have a workshop/discussion with the audit committee/board about what they want the assurance framework to tell them, this will help shape the assurance framework policy, but also indicate what management information you need to produce;
- as with introducing any new process it may be useful to produce a glossary of terms that provide definitions of all the terminology that you are using in the process;
- sometimes, before you actually start the assurance mapping process itself, it can be useful to sit down either individually or as a group, and list all the sources of assurance that you currently receive and rely upon;
- you might want to consider creating a working group made up of management and governors to define and document the college's understanding of assurance, document the framework and finally to undertake a pilot assurance mapping exercise. It may be the case that you already have a risk management group that is active and meets regularly within your college, and therefore development of the assurance framework is a project that they could take on.;
- develop a briefing paper and present it to management and governors. The paper could explain assurance, assurance mapping, the exercise that will be undertaken and what this means to them, including their roles;
- take a look through your risk register and identify those risks that fall under the definition of business as usual (BAU). Once you have done this ask yourself does this list of BAU risks cover everything?;
- when providing templates or using questionnaires to capture data, consider producing guidance on how to complete each template/questionnaire (or at least provide worked examples);
- identify clear objectives and produce an agenda for any workshops/discussions;
- develop a project plan for the assurance mapping exercise with clear milestones and timescales and the names of those responsible for completing each work stream of the project. Share this with everyone involved in the assurance mapping process and report on progress to management and the board (or audit committee);
- validation of the assurance map data could be completed in a number of ways including:
 - validation over assessments of control effectiveness by risk manager or equivalent;
 - group validation session with the team/department responsible for the risks/processes; and
 - establish an independent group to review and validate data, this could initially be an assurance framework working group and then be taken over by a risk management group.

Remember that using assurance is part of good governance; it does not need to be an industry in its own right if it is properly integrated with the risk management framework.

APPENDIX 7

An alternative method to the risk based approach is to map assurances of the key controls over the key processes that the college relies upon to deliver its objectives.



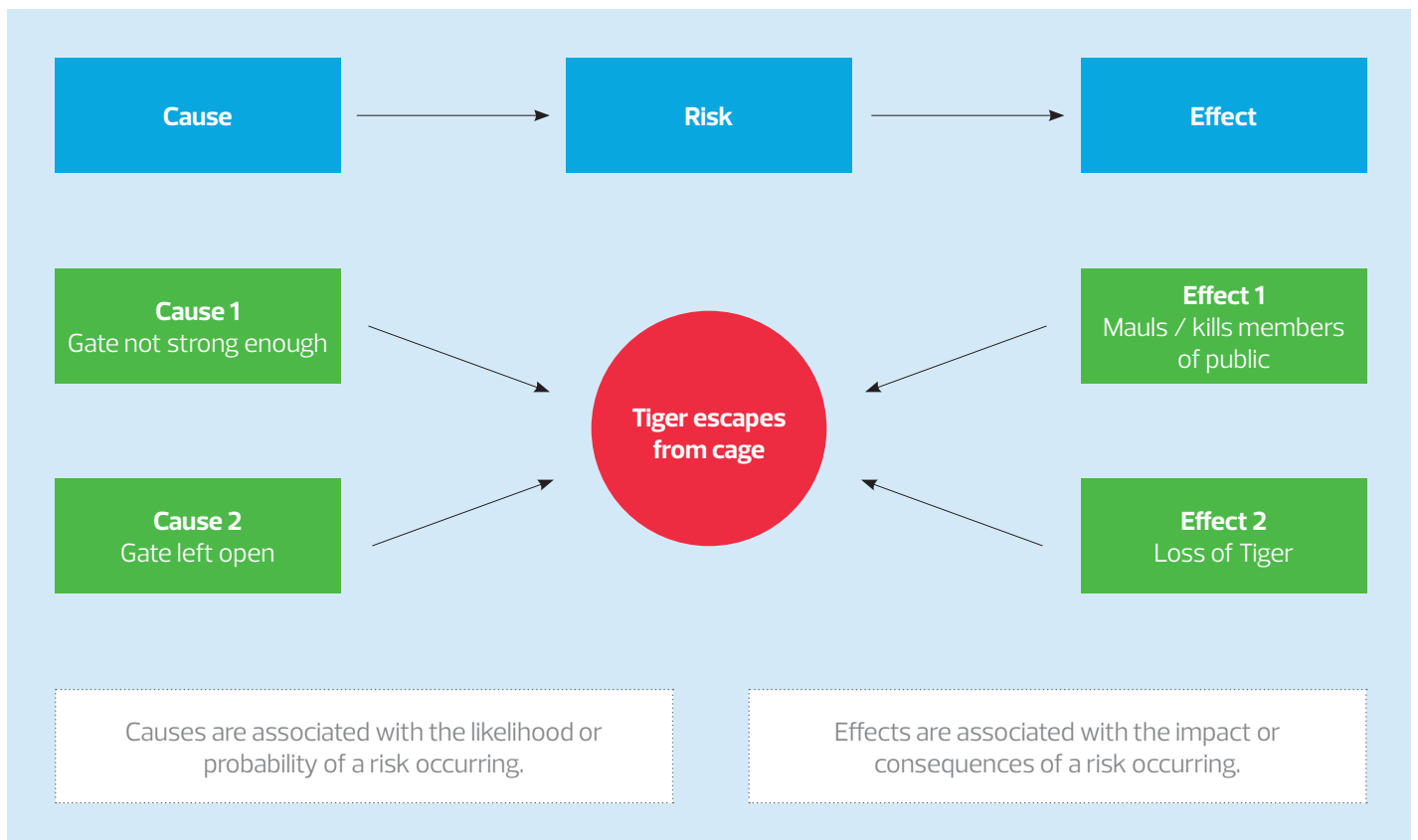
As most organisations do not generally have a documented process map, this is the first step.

The process method works by identifying the key activities/processes that you rely on to deliver your objectives. Each activity/process is then broken down into a number of key controls that ensure delivery of the expected outcome.

Once you have the processes and controls mapped you can then go about identifying the sources of assurance. You may want to create a working group to identify all the key activities/processes and assign an owner to each one. A benefit of the process model is that it does not require as much detail to be captured as it does for the risk approach. However, it does not provide as much scope to easily prioritise which processes you require assurance over unless you attach some level of weighting to each process.

APPENDIX 8

Cause and effect analysis



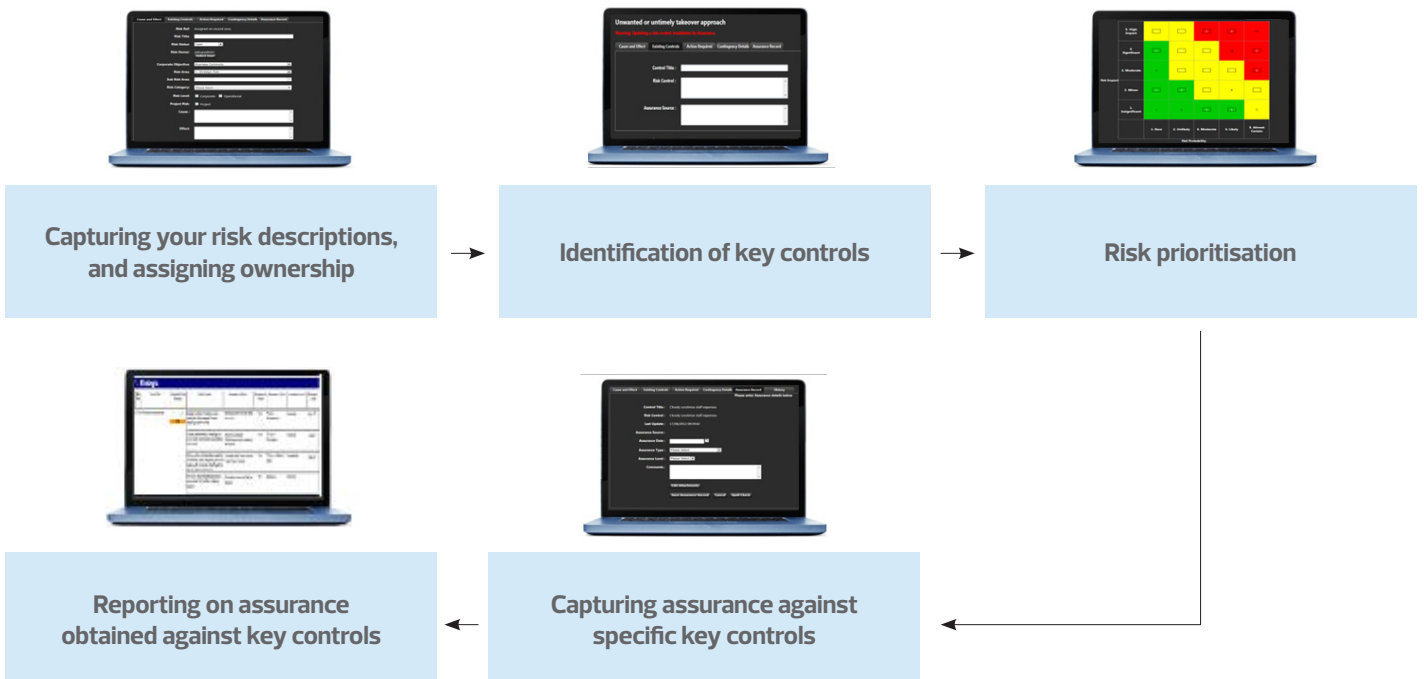
APPENDIX 9

4risk

4risk™ – making your risk management and assurance more effective through technology.
Vist: insight4grc.rsmuk.com

4risk™ is an integrated risk and business assurance management information system that both enables and enhances management's ability to monitor and measure overall exposure to risk and examine the effectiveness of its control environment at all levels through multiple tailored reporting options.

4risk™ has been specifically designed to enable an organisation to complete the full circle of risk identification through to capturing assurance over key controls.



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