Meaningful, Coherent and Well Positioned Assurance

December 2014
What is the exam question?

How do you seek assurance that services being delivered by you or on your behalf are being delivered effectively?
Assurance: what is it?

1. A statement or indication that inspires confidence

2. A guarantee or pledge

3. Freedom from doubt; certainty
What is good practice...the theory (OCED view)...

In order to assess the requirements for resources and funding for assurance purposes, the board should annually prepare or update an assurance map which should as a minimum:

- Document the people to whom assurance is provided (e.g. regulators, investors, customers and so on). The nature of the assurance, how that assurance is to be provided, how the board is going to satisfy itself that the assurance that is being provided is truthful, correct and appropriate in all circumstances

- Document the manner in which the board will seek and obtain assurance that what they are told is happening in respect of the business is indeed happening in order to discharge the assurance aspects of their Corporate Governance duties to exercise risk management oversight

- Document the way in which the board is assessing, monitoring and managing the risk management culture, and progress towards becoming a risk intelligent organisation
Assurance in an Accounting Officer context: Some perceptions from clients…

'Assurance feels shallow'… I am not clear on 'what is it that I should feel assured about.'

'It is not a planned activity in the way.. most IA departments prepare an annual plan.'

'There is rarely an overall, documented plan for the totality of assurance that is required at the board level.'

'At the moment there is a sense in which assurance simply happens.'
Assurance in an Audit Committee context: Some perceptions:

• Too many papers to Audit Committee
• Some risk areas receiving duplicate coverage with conflicting messages
• Some assurances not being received
Business Assurance: The Key Principles

• Understand what assurance mean:
  - Not just a cosy feeling
  - A real understanding of the strengths and weaknesses which exist regarding risk, control and governance

• Principles of assurance:
  1. Planning to gain assurance
  2. Making explicit the scope of assurance boundaries
  3. Evidence
  4. Evaluation
  5. Reviewing and Reporting
## Business Assurance: Choosing the right sources

<table>
<thead>
<tr>
<th></th>
<th>Performance Management</th>
<th>Assurance by managers</th>
<th>Risk Management</th>
<th>Other sources of assurance</th>
<th>Regulator</th>
<th>Internal Audit</th>
<th>External Audit</th>
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</thead>
<tbody>
<tr>
<td><strong>Risk 1</strong></td>
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<td><strong>Risk 2</strong></td>
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<td><strong>Risk 3</strong></td>
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<td><strong>Risk 4</strong></td>
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The Key Phases...

Phase 1

Identify Sources of Assurance

- Understand sources of assurance
  - Internal, e.g. Internal Audit, Management
  - External, e.g.
- Interview key stakeholders

Phase 2

Analysis of Independent and Internal Assurances

- Desktop review
- Understand:
  - Nature/Mechanism e.g. letter, statement, report
  - Provider
  - Timing and frequency
  - Recipient

Phase 3

Presentation of Assurance Map

- Process map
- Shows how assurances feed/meet assurance stakeholder needs
- May show duplication/gaps in assurance

Output is understanding of assurance sources....

Output is a map of assurances....

Output is map demonstrating how assurances feed assurance needs....
Example Case Study (Assurance Map) 1
The Delivery Environment
The Delivery Environment

External Assurance Gap Analysis

Key to external assurance criteria
Identifying Sources (Phase 1)
Identifying Sources (Phase 1)
Analysing Current Sources (Phase 2)
Analysing Current Sources (Phase 2)
Process Mapping (Phase 3)
# What does an assurance map look like?

<table>
<thead>
<tr>
<th>Management control &amp; reporting</th>
<th>Functional oversight/Governance</th>
<th>Assurance/Regulatory oversight</th>
<th>Internal</th>
<th>Summary &amp; next steps</th>
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<tr>
<td>Management &amp; Review Processes</td>
<td>RPIs</td>
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<td>Quality Management System</td>
<td>Systems Controls</td>
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<tr>
<td>Segregation and Access Controls</td>
<td>Policies</td>
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<td>Procedures</td>
<td>SUI</td>
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<td>Operational CARe Group</td>
<td>Exceptional Reporting</td>
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<td>Management</td>
<td>Executive Team</td>
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<td>National Care Committee</td>
<td>Remuneration Committee</td>
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<td>Risk Management</td>
<td>Information Governance Framework</td>
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<tr>
<td>Assurance/Regulatory Oversight</td>
<td>Policies</td>
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<td>External Steering Groups</td>
<td>Project Board</td>
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<td>Research &amp; Development Committee</td>
<td>NAO</td>
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<tr>
<td>Other (Treyson/BSE etc)</td>
<td>Audit Coverage</td>
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<td>Assurance provision</td>
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<td>Outcome of existing assurance activity</td>
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**Strategy**
- Strategic Business Plan
- Customer Satisfaction
- Stakeholder Engagement

**Governance**
- Quality and availability of management information
- Clinical Governance
- Information Governance / Security
- Corporate Governance
- Core Quality Commission Standards
- Business continuity/Disaster Recovery
- Risk management process
- Health and Safety
- Clinical Audit
- Fraud (fraud risk management, whistleblowing (CIS))
- Local security management service (LSMS)
- Claims
- Complaints
- Research and Development
- Intellectual Property
Example Case Study (Assurance Map) 2
HM Treasury's view on Assurance Framework

Process overview

Chart A.1: Example assurance framework arrangements

- Organisational Control Framework
  - Organisational Objectives and Outcomes
  - Business strategy and planning process
  - Performance management
  - Budget and budgetary control
  - Project & Programme Management
  - Risk Management
  - Counter Fraud Policy
  - Ethical Governance
  - Policies, procedures, codes of conduct
  - Partnership protocol

- Central Guidance:
  - HM Treasury guidance
  - Corporate Governance Code
  - Managing Public Money
  - Government Risk Management guidance
  - Public Sector Internal Audit Standards etc.

- Authority and directorate policies, business plans and risk registers

- Corporate group with responsibility for drafting Annual Governance Statement, maintaining assurance framework and supporting evidence

- Accounting Officer and Board

- Audit and Risk Assurance Committee
  - Review and monitor effectiveness of Governance, Risk Management and internal review and approve Annual Governance Statement

- Assurance Map Components

1st line of defence
- Operational delivery assurance
- Performance management and data quality

2nd line of defence
- Assurances by directors/heads of service
- Legal, regulatory, information and security assurance etc.
- Programme and project assurance

3rd line of defence
- Financial control assurance
- Strategic Risk and Quality Assurance
- Internal Audit
- Other independent sources of assurance

Other assurances
- External Audit
## Potential risks to achieving "success" in building a coherent assurance map

<table>
<thead>
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<th>Risk</th>
<th>Mitigating strategy</th>
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<tr>
<td>Output delivered does not meet the Board's expectations</td>
<td>Agreement of scope, boundaries and nature of output with Board and Executive Sponsor</td>
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<tr>
<td>Lack of Executive buy in to the process</td>
<td>Sign off that each stage has been appropriately completed</td>
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<tr>
<td>Wasted time in undertaking work that duplicates risk information that already exists</td>
<td>Close collaboration and sense check with risk management at each stage of process</td>
</tr>
<tr>
<td>Undertake project against inappropriate key business risks</td>
<td>Confirm key business risks through robust consultation with broad stakeholder group</td>
</tr>
<tr>
<td>No way of distinguishing whether assurance being received is appropriate for each risk</td>
<td>Assurances to be categorised through detailed review together with an initial assessment of whether they are in &quot;first&quot;, &quot;second&quot; and &quot;third&quot; line of defence</td>
</tr>
<tr>
<td>Assurance sources may be missed</td>
<td>Robust early discussion to identify all key assurance providers. This will be refreshed at each stage to identify gaps.</td>
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<tr>
<td>No way of linking assurance to risk</td>
<td>Both risks and controls identified through consultations to enable thorough assessment of available assurance against range of controls</td>
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<td>Staff below executive management level do not buy into the process and believe it is a box ticking exercise</td>
<td>Engagement of staff below executive team in the risk and control identification process Presentation back to staff after completion of process to engage them in agreeing the risk and control assessment outcomes from the process</td>
</tr>
<tr>
<td>Process is seen as a one off and one that doesn’t really change anything</td>
<td>Post completion of project, there should be regular top management communication to demonstrate how the process is leading to change Internal Audit should follow up to assess the impact</td>
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