

Meaningful, Coherent and Well Positioned Assurance

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What is the exam question?

How do you seek assurance that services being delivered by you or on your behalf are being delivered effectively?



The risk background?

- Public bodies facing new risks and of a higher scale
- Skills and expertise of officers and members may not be adequate
- Political cycle creates challenges for effective decision making
- Application of risk management techniques is often not sufficiently mature

...It's easier to identify and codify risk than it is to agree a coherent, strategic, organisation wide response to managing and mitigating risk

Some War stories

It's easy to get 'blinded' by the evolution of governance practices in any organisation:

- Care Plan example – beware of KPIs
- Council internal audit plan example
- NHS Trust deficit example
- The dominant leader

...avoid 'tick box' approaches

...'blank sheet' – forget what you think you know

...be sceptical

...foster a culture of 'no blame' and constructive challenge where possible across your organisation

Why assurance mapping

- Firstly, know your risks
 - Focus on what's important in managing those risks
 - Understand in detail how you gain assurance in relation to the management of your risks
 - ...don't assume you know the answer to this, you're probably wrong!
-
- Avoid duplication of assurances (you'll be surprised how much there is!)
 - Identify gaps in knowledge and assurance

If your organisation is facing significant risks which management do not understand or don't manage then it's more likely to lead to service failure.

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?

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

Some perceptions from public bodies...

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

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

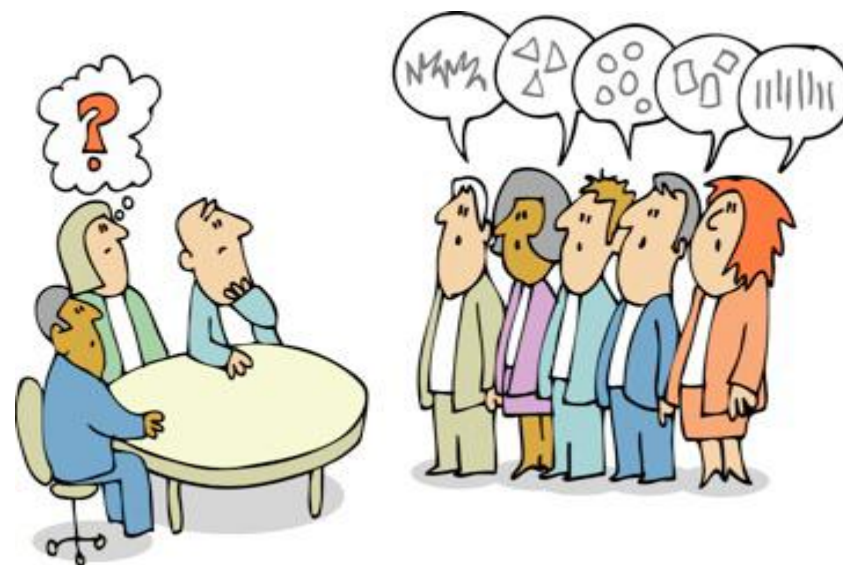
'There is rarely an overall, documented plan for the totality of assurance that is required at the board level.'

'At the moment there is a sense in which assurance simply happens.'



Assurance in an Audit Committee context: Some perceptions:

- Focussing on the right areas? – too many papers
- complacency?
- Audit vrs Scrutiny – who is responsible for risk?
- Some risk areas receiving duplicate coverage with conflicting messages
- Some assurances not being received



Business Assurance: The Key Principles

- Understand what assurance means:
 - 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



Audit Commission Perspective: Taking it on Trust



'in no case was it clear exactly how these controls might mitigate the risk effectively. The existence of a policy or strategy is really just a corporate statement of intent The committee needs actively to monitor the action plan associated with a particular risk.'

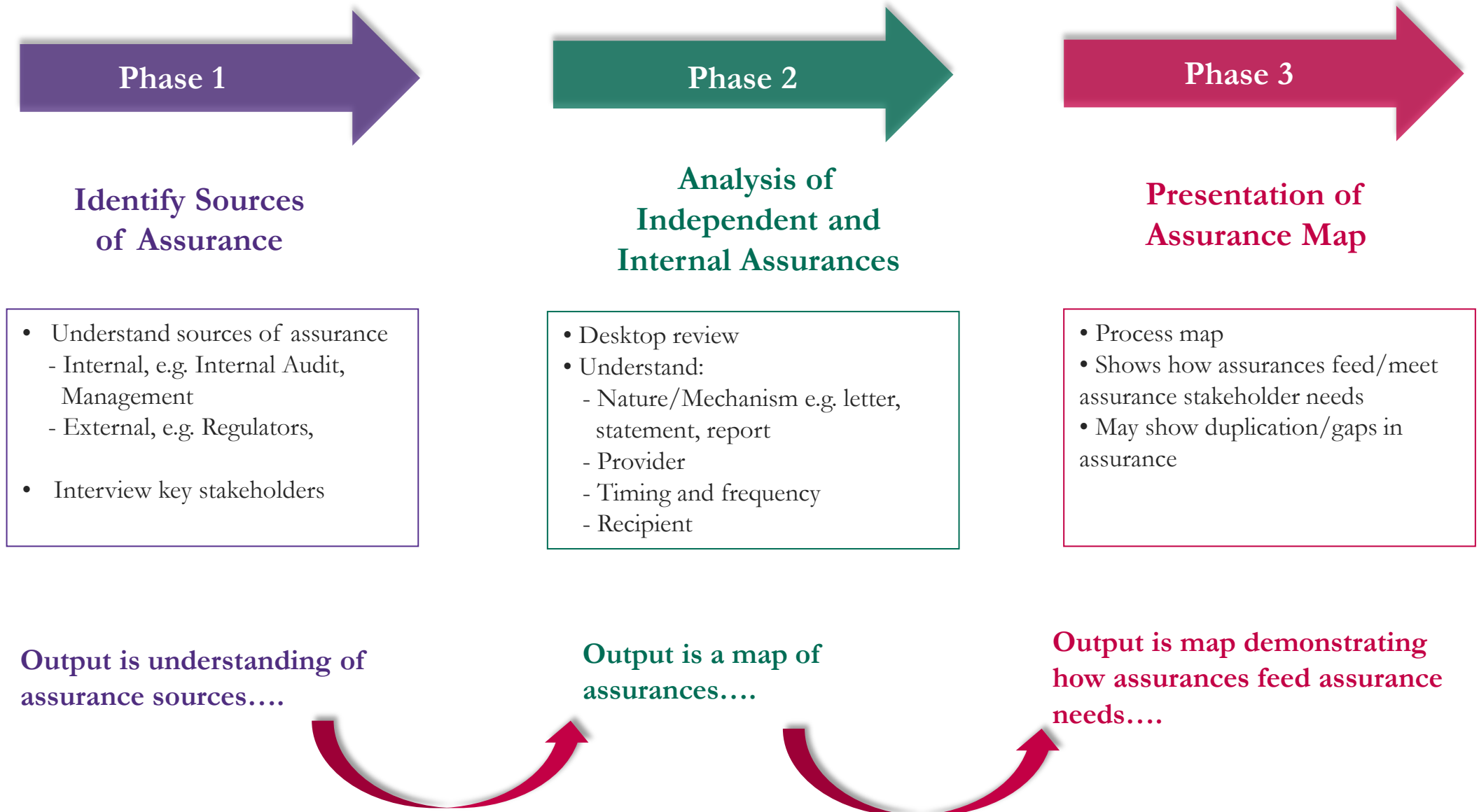
'Sources of assurance should be regularly reviewed to ensure they are still relevant. '

'boards should take a greater lead in improving and assuring themselves about the quality of the data they receive and that their organisation publishes.'

Business Assurance: Choosing the right sources

	Performance Management	Assurance by managers	Risk Management	Other sources of assurance	Regulator	Internal Audit	External Audit
Risk 1		✓				✓	
Risk 2		✓	✓			✓	
Risk 3				✓	✓		✓
Risk 4	✓	✓					

The Key Phases...



Example Case Study (Assurance Map) 1



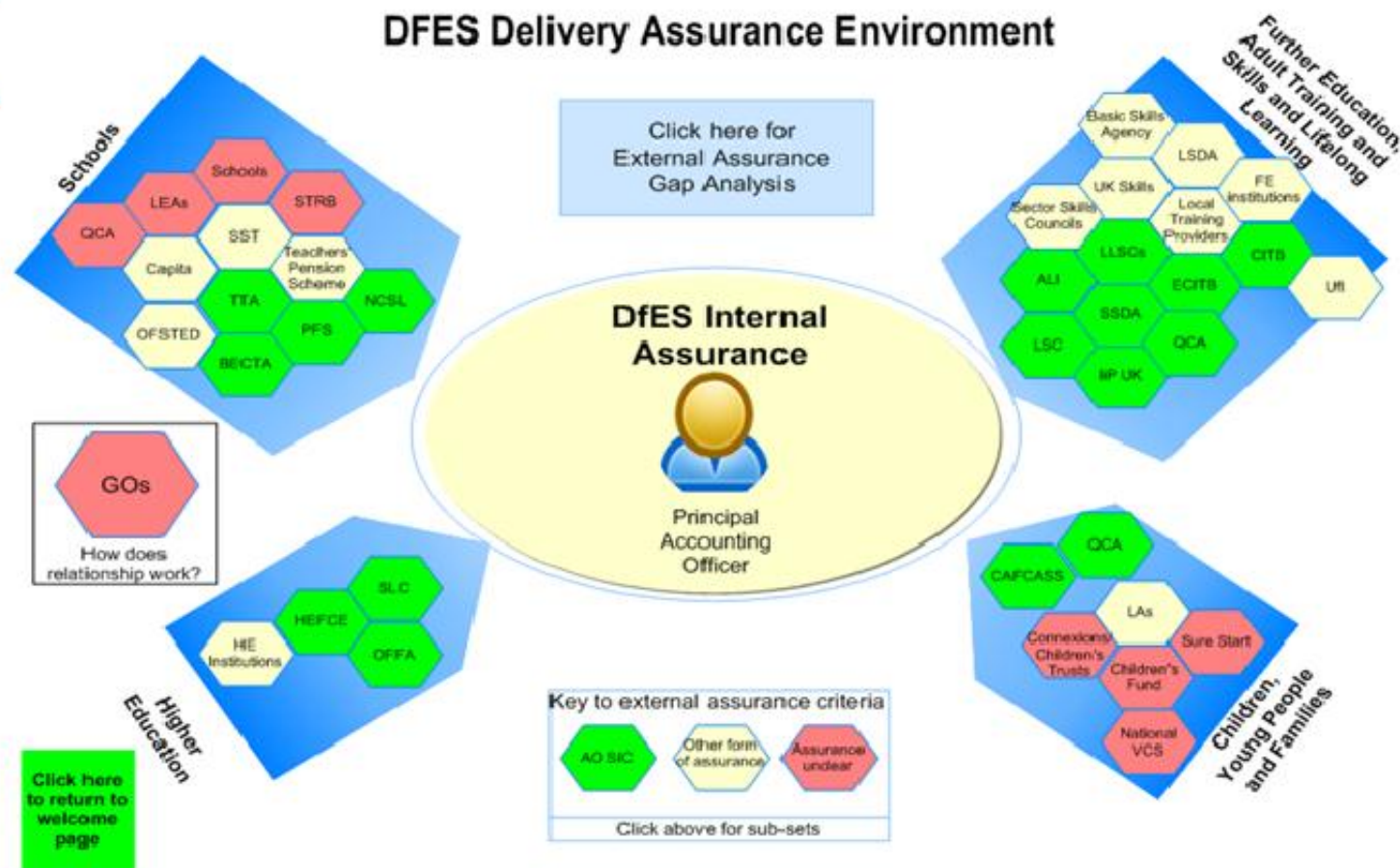
The Delivery Environment

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DFES Delivery Assurance Environment



Context – Scottish Council

- One, significant, pervasive red risk within the Strategic Risk Register
- Difficult political working relationships and concerns expressed about governance
- Lack of clarity about the role and effectiveness of some committees
- Internal audit traditionally focused on financial systems and no convergence with risk management processes

Our approach : three lines of defence model

Audit Committee/Council

Senior management



1st line of defence

Business management

Management controls

Internal control measures

2nd line of defence

Management oversight

Risk management

Financial control

Policies/Compliance

3rd line of defence

Independent assurance

Internal audit

External audit

Regulators

Identifying sources of assurance for strategic risks

1st Line

- Service planning
- Performance information system
- Procedures
- Departmental management reporting
- Exception reporting

2nd Line

- Policies
- Senior Management Team
- Strategic Risk Group
- Committee reporting
- Working groups
- Community Planning

3rd Line

- Recent internal audit reviews and level of assurance
- External audit coverage
- Inspection reports

Our assurance map:

description of strategic risk and current assessment

description of current reporting lines / sources of assurance to highlight gaps and potential duplication

our assessment and proposed improvements

					1st Line of Defence				2nd Line of Defence					3rd Line of Defence			Assessment of Arrangements		
Strategic Risk	Risk	Risk Assessment		Owner	Management Controls				Corporate Reporting		Scrutiny		Area Based		Internal Audit	External Audit	Regulators	Level of Assurance	Improvement Proposed
			Residual (with controls)		Service Plan	Departmental Scorecard / Pyramid	Monitoring / Exception Reporting to DMT	Action Plan / Procedure	Quarterly Performance Reporting	Corporate Reporting	SMT / Risk Management Group	Committee / Working Group	Community Planning Partnership / Area Committee	Council					
Population and Economic Decline	Projected population decline and potential economic decline and failure to identify relevant factors causing the decline and the need to develop strategies and action plans to address that decline in an effective manner.	Red 20	Red 16	D & I	Action reflected within Single Outcome Agreement / Corporate Plan	All scorecards reflect the Corporate Outcomes and are monitored via PPMF	Exception reporting within Team Quarterly Performance Report	EDAP CHORD programme Community Engagement Strategy	Quarterly performance reports considered by Performance Review and Scrutiny Committee	Council Annual Report Annual SOA Report Local Government Benchmarking Framework	Strategic Risk Register considered quarterly	CHORD progress updates to Policy & Resources Cmte	SOA Localized Delivery Plan Economic Development Action Plan and Localized Area Action Plan monitoring	Single Outcome Agreement Delivery Plan considered in June	Employment and training 2014-15		Audit Scotland / SCSWIS / Education Scotland etc.	High	Clarity relating to the impact that actions and outcomes have on the residual risk
					Economic Development Action Plan	D & I quarterly scorecard			Quarterly Department Update considered and challenged by SMT	Discussion about emerging risks at SMT / RMG	Discussion on roads and economic summit at Environment, Development and Infrastructure Committee	Policy Lead Update reports to Council							
					Service Plan via link to SOA/Corporate Outcomes	ED & ST Team Scorecards			D & I quarterly performance reporting to Environment, D & I Committee	Updater included in Departmental Verbal Update	Reports from Short Life Working Group (roads)	CHORD progress and business cases							
Condition and suitability	Infrastructure and asset base does not meet current and future requirements. Infrastructure and asset base is not being used or managed efficiently or effectively.	Red 16	Amber 12	D & I	Corporate Plan includes Corporate Objectives relating to: 3: Transport infrastructure / sustainable environment	All scorecards reflect the Corporate Outcomes and are monitored via PPMF D & I quarterly scorecard	Exception reports to DMT Capital monitoring reports prepared quarterly	Corporate asset management strategy Service asset management plans	Quarterly performance reports considered by Performance Review and Scrutiny Committee Quarterly Department	Annual SOA report	Strategic Risk Register considered quarterly Discussion about emerging risks at SMT / RMG Updater	Policy and Resources Committee receive updates on Asset Management and capital monitoring	Corporate Asset Management Strategy / Service Asset Management / Roads Asset Management	Roads Maintenance and Management 2014-15 Asset and Estates Management 2014-15 Asset Management 2011-12 Capital Contracts and				High	As above

Findings

- The existence of a committee is not in itself a control – the Council needs to monitor the effectiveness of mitigating actions associated with each risk
- Duplication of performance reporting – but not clear evidence of effective scrutiny at any level
- Gaps in assurance, and in internal audit coverage to feed into 2015-16 internal audit plan

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External Assurance Gap Analysis

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Identifying Sources (Phase 1)

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External Assurance Gap Analysis

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Identifying Sources (Phase 1)

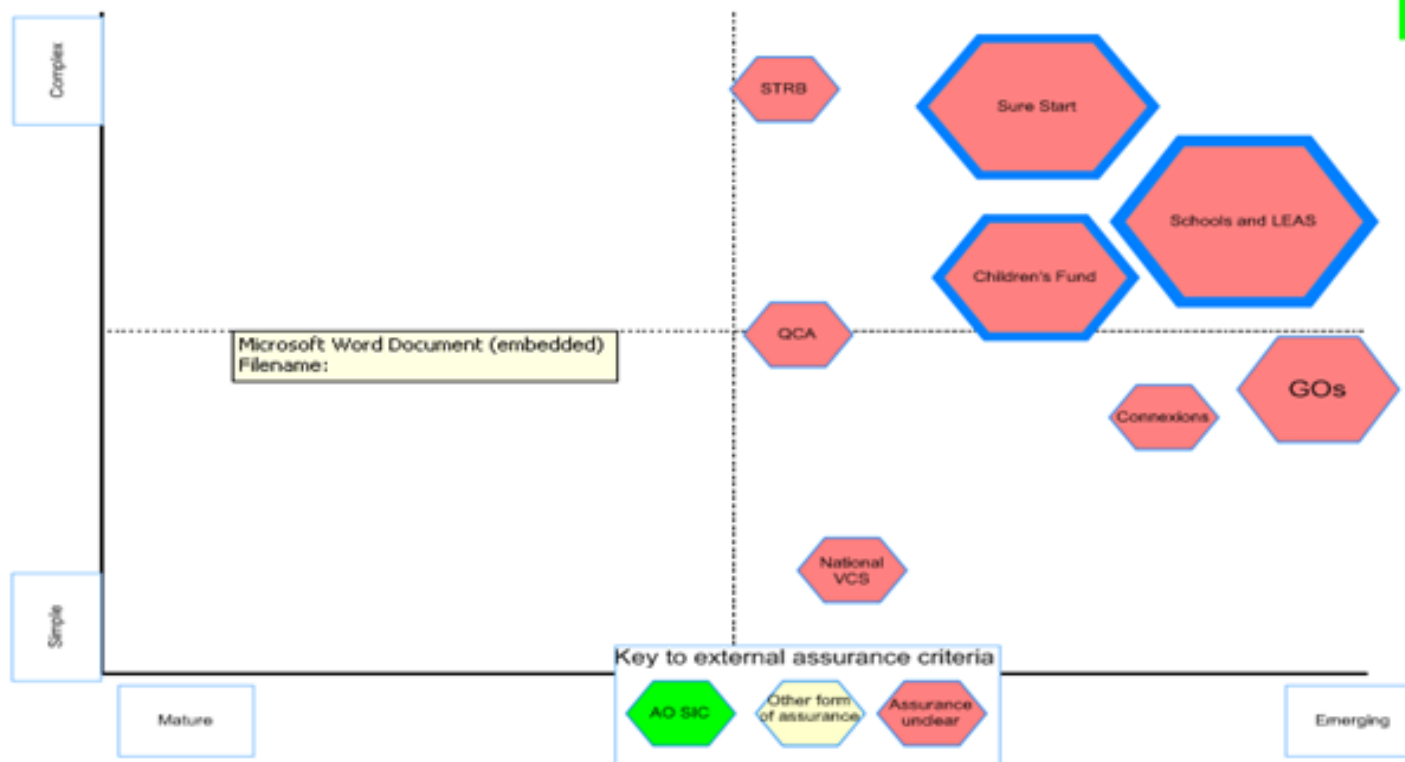
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External Assurance Gap Analysis- Assurance unclear

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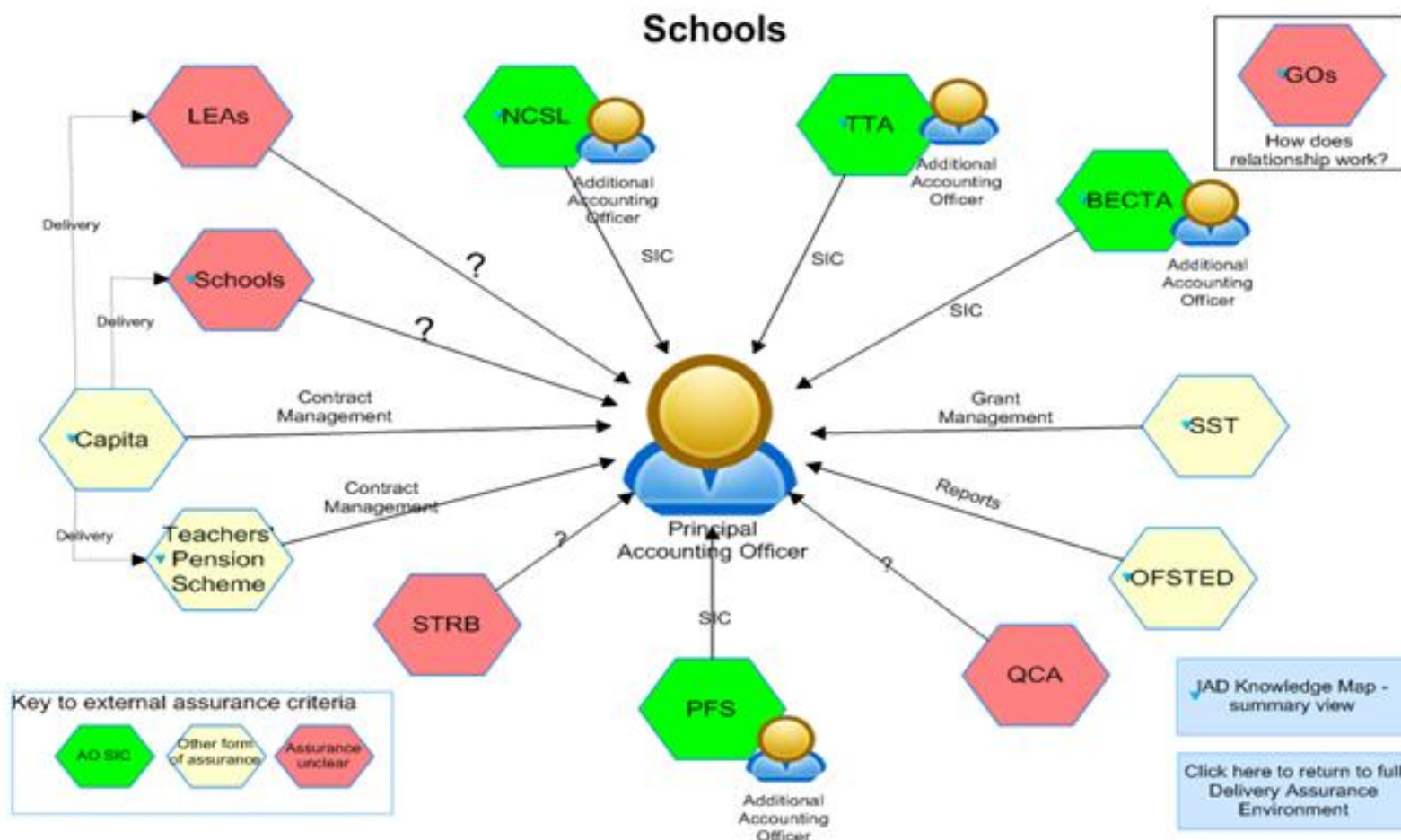
Analysing Current Sources (Phase 2)

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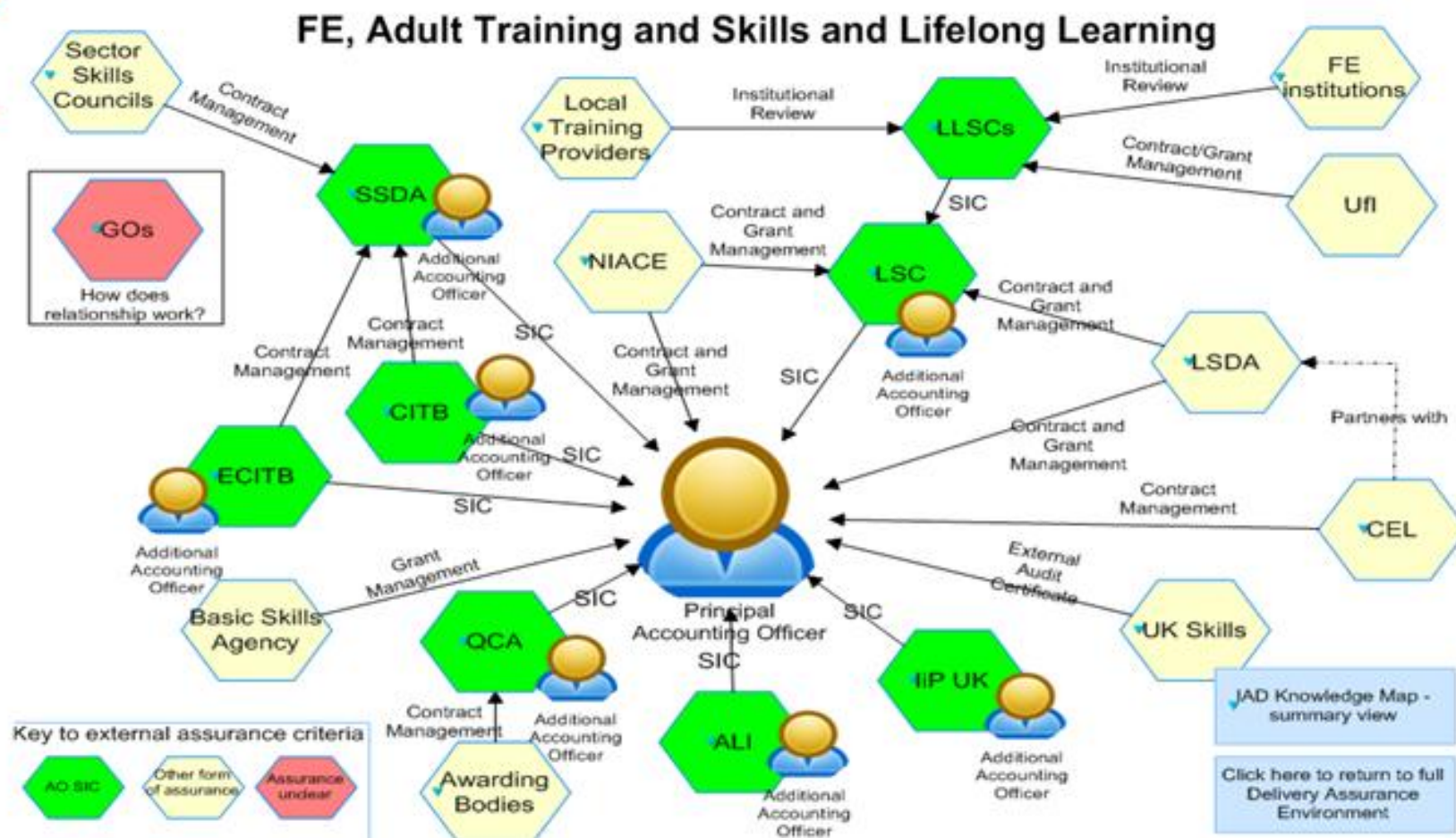
What work does IAD
perform to seek to place
reliance on SIC?



Analysing Current Sources (Phase 2)

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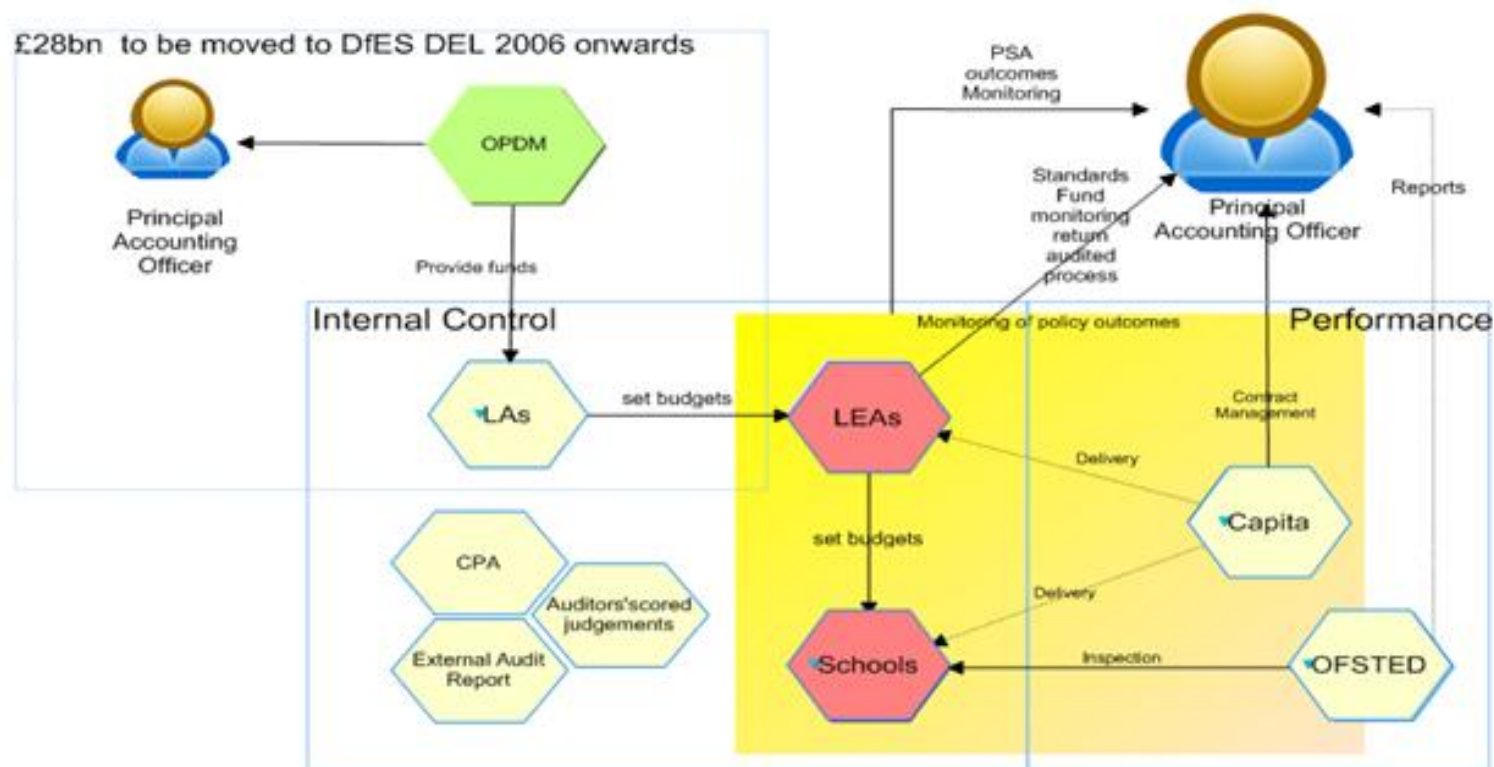
Process Mapping (Phase 3)

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Schools



What does an assurance map look like?

	Increasing Assurance																																					
	First line of defence:							Second line of defence:							Third line of defence: Independent review/							Internal					Summary &											
	Management control & reporting							Functional oversight/Governance							Assurance/Regulatory oversight							Audit Coverage					next steps											
	Management Review (SNT and below)	KPIs	Quality Management System	Systems Controls	Segregation and Access Controls	Procedures	Operational Risk Management	SUI	Operational CARE Group	Exceptional Reporting	Executive Team	National Care Committee	Remuneration Committee	Risk Management Committee	Information Governance Management Forum	Integrated Governance Framework	Policies	Other Steering Groups	Project Board	Board	Governance & Audit Committee	Research & Development Committee	NAO	NHS/Protect/ECFS	Internal Auditors	Other (Treasury/HSE etc)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Assurance appetite	Assurance provision	Outcome of existing assurance activity		
Strategy																																						
Strategic Business plan	●	●			●						●					●			●	●						●		●						●	●	●	●	
Customer Satisfaction	●										●					●				●	●												●	●	●	●		
Stakeholder engagement	●										●					●			●	●						●									●	●	●	
Governance																																						
Quality and availability of management information	●	●	●	●		●	●	●	●	●	●	●				●				●	●					●									●	●	●	
Clinical Governance	●	●	●			●	●	●	●	●	●	●				●	●			●	●	●				●							●		●	●	●	
Information Governance / Security	●			●	●	●	●	●	●		●	●		●	●	●	●	●		●	●	●				●		●								●	●	●
Corporate Governance	●						●	●			●	●		●	●	●	●		●	●	●			●	●	●										●	●	●
Care Quality Commission Standards																●				●	●														●	●	●	
Business continuity/Disaster Recovery	●					●	●	●	●		●			●	●	●	●		●	●	●					●			●							●	●	●
Risk management process	●			●		●	●	●	●	●	●	●		●	●	●	●		●	●	●			●		●							●		●	●	●	
Health and Safety	●					●	●	●	●	●	●			●	●	●	●	●		●	●	●				●							●		●	●	●	
Clinical Audit	●	●				●	●		●			●				●				●	●															●	●	●
Fraud (fraud risk management, whistleblowing LCFS)	●		●	●		●	●	●		●	●			●		●	●			●	●			●	●	●										●	●	●
Local security management service (LSMS)																																				●	●	●
Claims	●					●		●	●	●		●		●							●															●	●	●
Complaints	●		●			●					●						●			●																●	●	●
Research and Development						●			●			●				●				●			●													●	●	●
Intellectual Property																●																				●	●	●

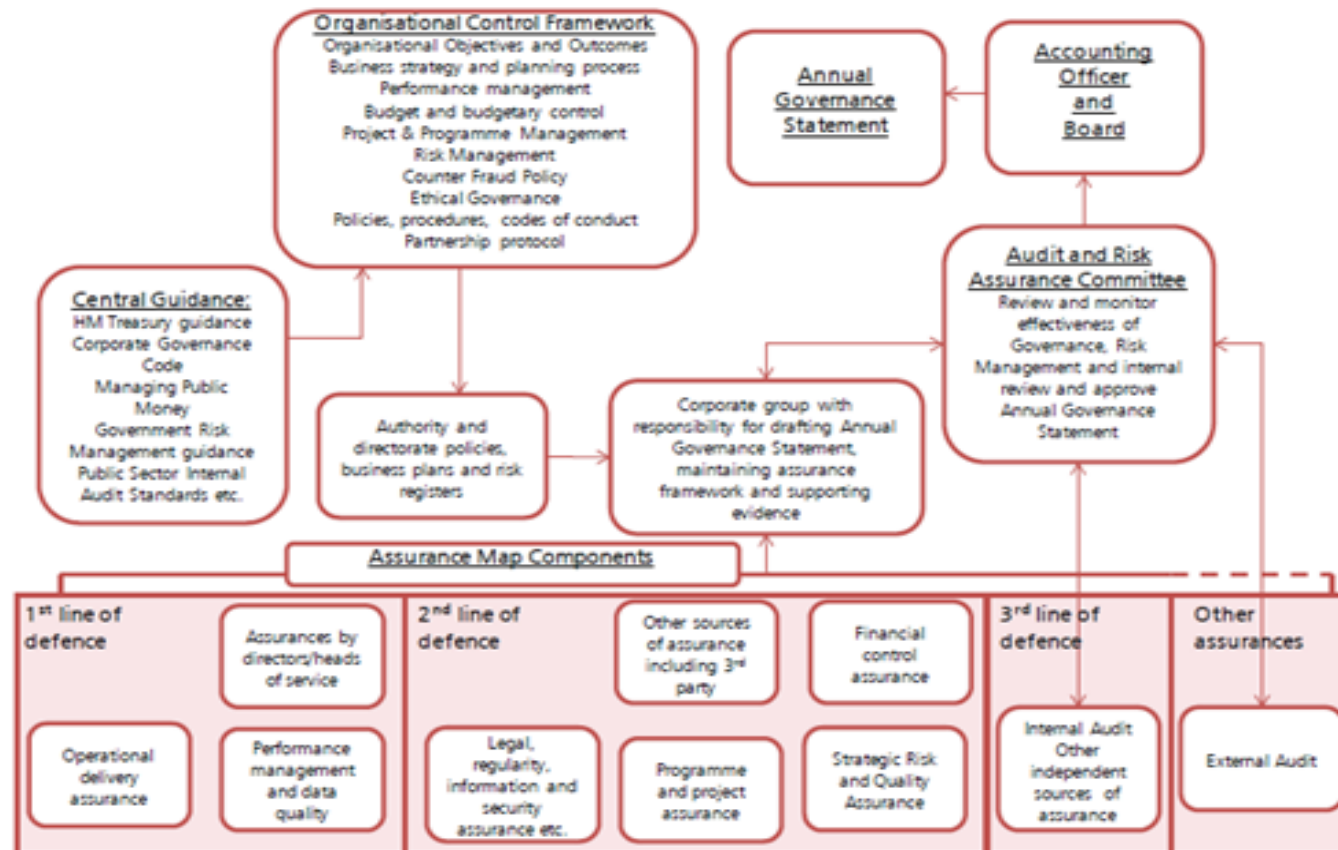
Example Case Study (Assurance Map) 2



HM Treasury's view on Assurance Framework

Process overview

Chart A.1: Example assurance framework arrangements



Potential risks to achieving "success" in building a coherent assurance map

Risk	Mitigating strategy
Output delivered does not meet the Board's expectations Lack of Executive buy in to the process	Agreement of scope, boundaries and nature of output with Board and Executive Sponsor Sign off that each stage has been appropriately completed
Wasted time in undertaking work that duplicates risk information that already exists	Close collaboration and sense check with risk management at each stage of process
Undertake project against inappropriate key business risks	Confirm key business risks through robust consultation with broad stakeholder group
No way of distinguishing whether assurance being received is appropriate for each risk	Assurances to be categorised through detailed review together with an initial assessment of whether they are in "first", "second" and "third" line of defence
Assurance sources may be missed	Robust early discussion to identify all key assurance providers. This will be refreshed at each stage to identify gaps.
No way of linking assurance to risk	Both risks and controls identified through consultations to enable thorough assessment of available assurance against range of controls
Staff below executive management level do not buy into the process and believe it is a box ticking exercise	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
Process is seen as a one off and one that doesn't really change anything	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



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