

Building a Board Assurance Framework

Guidance note

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If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the SGA:
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Introduction

Within many boardrooms it can be challenging to be assured that the organisation is being run properly and meeting its strategic goals. In fulfilling their legal duties, board members must seek information from the senior management team to assure themselves that the organisation is being run in a sustainable, professional way and in the intended manner.

Some board members may feel a disconnect between their work and the activities of frontline staff or volunteers, and occasionally may require additional assistance to satisfy themselves that the organisation is delivering its objectives and meeting its legal obligations.

The role of the board is to focus on strategic matters, but compliance and oversight requires a certain amount of insight into operational matters. The balance can be delicate, but is an absolutely essential one to strike. Even where the board and senior managers work well and complement each other, there can be occasions where board members need more information to assure themselves that decisions are implemented and are having the anticipated outcome. It is not desirable, nor feasible, for the board to be 'hands-on' in every aspect of operations, but staff should provide the information required to give assurance that everything is as it should be.

By assurance, is generally meant independent and validated (internally or externally) evidence that decisions are being implemented and strategic aims are being achieved. Reassurance, conversely, is the act of confirming someone's opinion or impression and restoring confidence. The quality and veracity of board information is key to enabling board members to provide challenge and stewardship. It is therefore important that they receive assurance rather than reassurance when discharging their legal duties.

A Board Assurance Framework is a structured approach for ensuring that boards get the right information, which is accurate and relevant, at the right time and with a level of assurance attributed to each source of data. A BAF is a single document that pulls together all relevant data pertaining to an organisation's strategic goals, and the risks it faces. The BAF is more than another tool to measure and manage risks; it should be viewed as a framework by which the board can triangulate the information it receives and be assured of the veracity of data presented to it.

A BAF should not be the only document presented to boards, but rather will augment standard board reports already in place. Used wisely and carefully the BAF can be an invaluable tool for board members.

This tool will help you to understand:

- the benefits of a BAF
- how to build a BAF,
- implementing the BAF,
- assessing the effectiveness of BAF continuously.

Benefits of a BAF

A BAF will identify and map the main sources of information available to your organisation, and may highlight gaps that require addressing. It will co-ordinate different sources of information in order to provide the board with a comprehensive overview of the organisation's direction of travel and deliver assurance that the organisation is performing effectively.

In short, the benefits of developing and using a BAF are:

- a clear and comprehensive overview of the organisation's risks, including the management and mitigation of those risks;
- identifying where there is insufficient assurance available and strengthening those controls;
- highlighting areas of overlap, duplication or disproportionate control mechanisms;
- flagging up where control mechanisms are ineffective or inefficient;
- focusing limited resources at those areas of greatest need; and
- providing evidence to support formal governance statements.

Developing the Framework: assurance mapping

Each organisation should decide what they want their framework to do, or determine how much assurance is required. In building a BAF, the board will need to answer a number of questions for each activity identified, including:

- Where does the assurance come from, i.e. is it internal/external/independent?
- Is there assurance from more than one source?
- Is the information, and the assurance it seeks to provide, relevant, timely, accurate and reliable? How do we know?
- Is the level of assurance proportionate for the size and complexity of the organisation and the risks it faces in achieving its objectives?

The role of management in the BAF is to review and implement mechanisms that will provide assurance that processes and controls are in place, are followed and are effective in achieving the organisation's objectives. The audit committee, where one exists, will give advice to the board on the status of governance arrangements including risk and internal controls and the sources of assurance.

The BAF should be aligned to your strategic plan and any aims/objectives outlined in it. The BAF should therefore cover the areas that impact on the achievement of those aims, alongside the more fundamental delivery and control systems put in place to ensure that resources are expended effectively, efficiently and in accordance with the agreed strategy.

Assurance can come in the form of:

- internal reviews and checks:
 - performance management reporting
 - HR audits, staff appraisals, volunteer feedback, training and development records, staff survey results
 - financial management, counter-fraud arrangements, internal controls
 - internal governance assessments against the Code for Sports Governance and/or agreed governance action plan

- annual plan and other reports, board reporting cycle (committee reports, audits, annual reporting requirements)
- risk register and risk management arrangements
- organisational policies and any reported breaches
- feedback from participants, athletes and spectators, including complaints and concerns, as well as positive feedback
- internal audit reports
- external audits:
 - audit or independent examiner reports, including management letters
- benchmarking
- externally facilitated governance reviews
- regulatory inspections

Assurances should be sought for each strategic aim. In mapping the assurances the board receives and what might be required in the future, the senior management team/executive should lead on relating a record of all the assurances they rely on to inform an opinion of organisational performance. This process should include as many teams as possible to ensure that the BAF assurances are as relevant and as accurate as possible and could incorporate one-to-one discussions and department or service workshops to gather the information required.

As Figure 1 shows, the BAF should develop an enveloping system that supports the achievement of the organisation's objectives. In developing the BAF, the starting point should be those objectives, which are built upon to ensure the board is delivered the data required when making decisions and judgements about the direction and performance of the organisation. The stages of the 'assurance wrap' include:

- **Organisational objectives** – a clear understanding of what the organisation exists to achieve and the powers contained within the governing document that enable the achievement of those objectives. All supporting actions and information should help build a picture as to how these are being fulfilled.
- **Strategic aims** – ideally this will include a range of key performance indicators or goals to be achieved over a 3-5 year period that support the achievement of the objectives. These will be the key focus of BAF reports.
- **Risk management** – details of the main risks and threats to the strategic goals, and the overarching objectives, alongside controls in place to manage and minimise those risks. Key controls can include: schemes of delegations; policies, procedures and standards; performance data; financial management information; and quality and safety processes, where applicable.
- **Assurances** – the provision of a range of evidence to the board to assure them that the organisation is operating effectively and is achieving the desired outcomes. Objectives and strategic aims are delivered through effective risk management arrangements and in accordance with statutory requirements and established practices of good governance (for example, the Code for Sports Governance).

The BAF and the corporate calendar should be aligned to ensure that assurance is delivered in a timely fashion to support any external reporting requirements.

Figure 1: Example of an 'assurance wrap'



BAF implementation

Once the BAF is developed, its implementation and evaluation should be a continuous process, as depicted in Figure 2.

Figure 2: Board assurance cycle



The BAF must be designed to ensure that the board can annually assess its ability to set the direction of the organisation, enable its staff and volunteers to deliver its key strategic aims in support of organisational objectives, and do so to an appropriate standard and quality.

The design and implementation of the BAF should offer something of value to both the senior management team and the board. This will require a committed contribution from every aspect of the organisation's operations, especially those areas that present more risk.

Working together will ensure that the final product is fit for purpose, and uses language and data sources that are already in use or that have been developed in tandem. A strong board assurance framework includes:

- clear links between the strategic aims and objectives;
- the risks that could hinder the achievement of each strategic goal;
- a clear format that mixes both verbal and visual data;
- a long-term overview of trends, with graphs that aid understanding;
- an appropriate level of detail; and
- a rationale for the risk score attributed to each strategic aim.

Having a corporate calendar in place will assist the governance professional, chief executive and the chair of the board in deciding items to be placed on the agenda of each meeting. This will maximise the preparation time available to staff to deliver appropriate information and give the board the best opportunity to consider and agree actions and a statement well in advance of key deadline dates. The BAF should be aligned to the corporate calendar to ensure board discussions and reviews of the BAF are congruent with key agenda items.

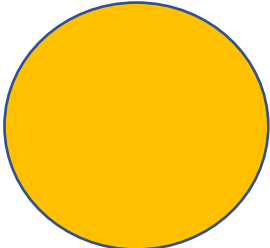
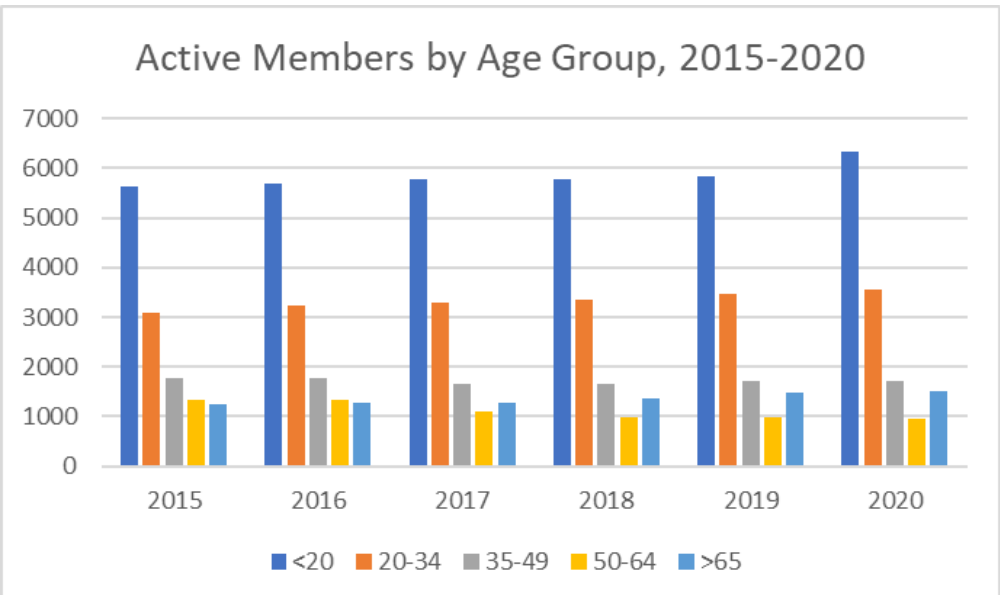
Regular review of the BAF is essential. The board, or audit committee where one exists, should ask:

- How confident are we that the board receives sufficient assurance about the organisation's performance in relation to fulfilling its objectives?
- How confident are we that the board receives sufficient assurance about the organisation's performance in relation to key strategic aims and the associated risks?
- How confident are we that the organisation has identified all those areas that present a material risk to our objectives and strategic aims, and put in place appropriate controls?
- How confident are we that the BAF integrates risk, performance management strategies and policies?
- How confident are we that the board receives sufficient information in relation to each strategic objective?
- How confident are we that the board receives timely information about the performance of the organisation in relation to the fulfilment of the agreed goals?
- Is the board happy with the way information is presented to it?
- What types of information could be better presented to the board to inform understanding and challenge (such as performance outcomes, financial data, risk register, management arrangements, the BAF, strategic reports and updates)?
- Which of the following is the single most important source of information and assurance for the board when considering risks to strategic aims:
 - performance reporting
 - BAF
 - risk management information
 - strategic updates

- finance reports
- stakeholder stories
- regulatory reports
- HR reports
- verbal updates
- incident reporting
- internal audit
- external audit

The BAF, used wisely, will enhance evidence-based decision making by the board and can contribute to an effective governance framework for the organisation.

Appendix A: Specimen board assurance report

Report owner: AN Other		Date: dd/mm/yyyy																																											
<p>Strategic aim 1:</p> <p>To increase the number of people in the 50-64 years age category who play or practice for more than one hour per week.</p> <p>Proposal: Targeted campaign of publicity, access projects and events to support this.</p>																																													
<p>Risk rating: Amber</p> <p>8</p> 		<p>Details of risk:</p> <p>Risk 1: Focusing resources on 50-64 age group might detract from current initiatives aimed at under 20s which have contributed to 12% growth since 2015.</p> <p>Risk 2: An initiative aimed at the 50-64 age group was run in 2017 and a subsequent decline was seen in participation among that age group.</p> <p>Risk 3: National publicly funded 'Fitness For All' campaign to be launched in 3 months. Aimed at increasing activity rates among over 50s. Seven other sports are official partners and these may attract our target demographic.</p>																																											
<p style="text-align: center;">Active Members by Age Group, 2015-2020</p>  <table border="1"> <caption>Active Members by Age Group, 2015-2020</caption> <thead> <tr> <th>Year</th> <th><20</th> <th>20-34</th> <th>35-49</th> <th>50-64</th> <th>>65</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>5500</td> <td>3000</td> <td>1800</td> <td>1300</td> <td>1200</td> </tr> <tr> <td>2016</td> <td>5500</td> <td>3200</td> <td>1800</td> <td>1300</td> <td>1200</td> </tr> <tr> <td>2017</td> <td>5500</td> <td>3200</td> <td>1600</td> <td>1100</td> <td>1200</td> </tr> <tr> <td>2018</td> <td>5500</td> <td>3300</td> <td>1600</td> <td>1000</td> <td>1300</td> </tr> <tr> <td>2019</td> <td>5500</td> <td>3400</td> <td>1700</td> <td>1000</td> <td>1400</td> </tr> <tr> <td>2020</td> <td>6200</td> <td>3500</td> <td>1700</td> <td>1000</td> <td>1400</td> </tr> </tbody> </table>				Year	<20	20-34	35-49	50-64	>65	2015	5500	3000	1800	1300	1200	2016	5500	3200	1800	1300	1200	2017	5500	3200	1600	1100	1200	2018	5500	3300	1600	1000	1300	2019	5500	3400	1700	1000	1400	2020	6200	3500	1700	1000	1400
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Sources of data supporting risk rating:																																													

Risk 1:

- a. Head Office Register of Members
- b. Regional Secretaries' Annual Reports
- c. Member survey data

Risk 2:

- a. Head Office Register of Members
- b. Regional Secretaries' Annual Reports
- c. 'You Retire if You Want To: Project Report, 2018'

Risk 3:

- a. Sport for the Nation policy announcement, June 2020
- b. National Activity Audit, 2020
- c. Seven national partner sports' annual reports

Risk reduction/management actions:

Risk 1: Funding for under 20 and youth projects committed for 3 years. Study of retention rates beyond age 20 to inform higher age range initiatives.

Risk 2: Lessons learned exercise run after 'You Retire if You Want To' project. Report attached. Identified two tactical mistakes which undermined the initiative. Project Working Group to report every 3 months to Exec. Liaise with two other NGBs who have launched successful campaigns targeting similar age group. Two visits already undertaken. Three regional (NW, Midlands, NE) multi-disciplinary physical activity associations looking for partner sports for their own 2-year projects.

Risk 3: Sport for the Nation have not ruled out taking on additional partner sports. Informal conversations with grant liaison officer suggests 40-50% chance of successful application. Geographical mapping of national project partner sports' activity density with ours shows 7 counties with virtually no overlap.

Target date for reducing risk: dd/mm/yyyy

Person responsible for delivering change: AN Other