

Governing Body Assurance Frameworks: Benchmarking Exercise

Clinical Commissioning Groups



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This report is a summary of our perspective on the Governing Body Assurance Frameworks provided to us at a point in time, and should not be considered formal guidance or instruction for individual organisations or those charged with governance. We do not accept responsibility for the format or content of organisations' Governing Body Assurance Frameworks or risk management processes, which are the responsibility of those charged with governance.

Although we have sought to compare Governing Body Assurance Framework (GBAF) reports in order to identify particular trends, we recognise that assurance frameworks are particular to each organisation. The GBAF document, as a key tool for the Governing Body, should be designed and used in alignment with the needs of the organisation. It is up to the Governing Body to assure itself that the governance framework supporting the GBAF document is effective, and to determine the level of detail it wishes to have oversight of, including the type and number of risks it feels should be monitored at Governing Body level.

Introduction

The Governing Body Assurance Framework (GBAF) is a key aspect of good governance in all organisations. A properly functioning GBAF will provide Governing Body members with an understanding of the principal risks to their strategic objectives and provide robust assurance over the controls in place, or the action being taken, to mitigate risks to an acceptable level, within the Governing Body's risk appetite.

Within the current environment, it is important for Governing Bodies to demonstrate they have a clear understanding of the principal risks which could prevent them meeting their organisational objectives, and the outcomes and benefits that can bring to their users and stakeholders.

We have reviewed the GBAFs of 29 Clinical Commissioning Groups across the Midlands and Yorkshire, using those which were current as of June 2018. Across the GBAFs, 318 separate risks were recorded. We have sought to analyse these risks to identify themes and pertinent lines of enquiry in the following areas:

- How many risks?
- How are risks scored?
- Impact or likelihood as highest scoring component?
- What are the common risk areas?
- How is mitigation monitored?

Key Messages

- We identified a wide range, from 1 to 30, in the number of principal risks being presented on the GBAF, with the mean average being 14 (rounded).
- Most CCGs included in this benchmarking follow the 5 x 5 (impact/likelihood) scoring approach and the average GBAF score was 13.5.
- The areas appearing most commonly as GBAF risks over the past 3 years are:
 - Reconfiguration & Redesign of Services
 - Financial Duties
 - Quality Assurance of Providers.
- The risks with the highest average scores were not the most prevalent by number:
 - IT (mean average score of 25, but only featured on one GBAF)
 - Financial Duties
 - Performance Targets.
- The target movement in risk scores is minimal. In some instances, organisations appear to be targeting an increase in risk.

How Many Risks?

We reviewed GBAF reports to identify the number of risks each organisation was reporting to its Governing Body. Utilising the risk score/rating given as presented on the GBAFs, we categorised these as high (>12/Red), moderate (8-12/Amber) and low (<8/Green). Most CCGs have a majority of moderate and high risks, although some organisations have chosen to include lower rated risks in the GBAFs received by the Governing Body. Two CCGs use a RAG-rating system, rather than scores, to monitor their principal risks.

Two CCGs have not scored their principal risks.

CCGs generally have between 7 and 14 risks on their GBAF, with a mean of 14 (rounded). However, the total range is from 1 to 30 risks.

This is illustrated in **Figure 1** below.

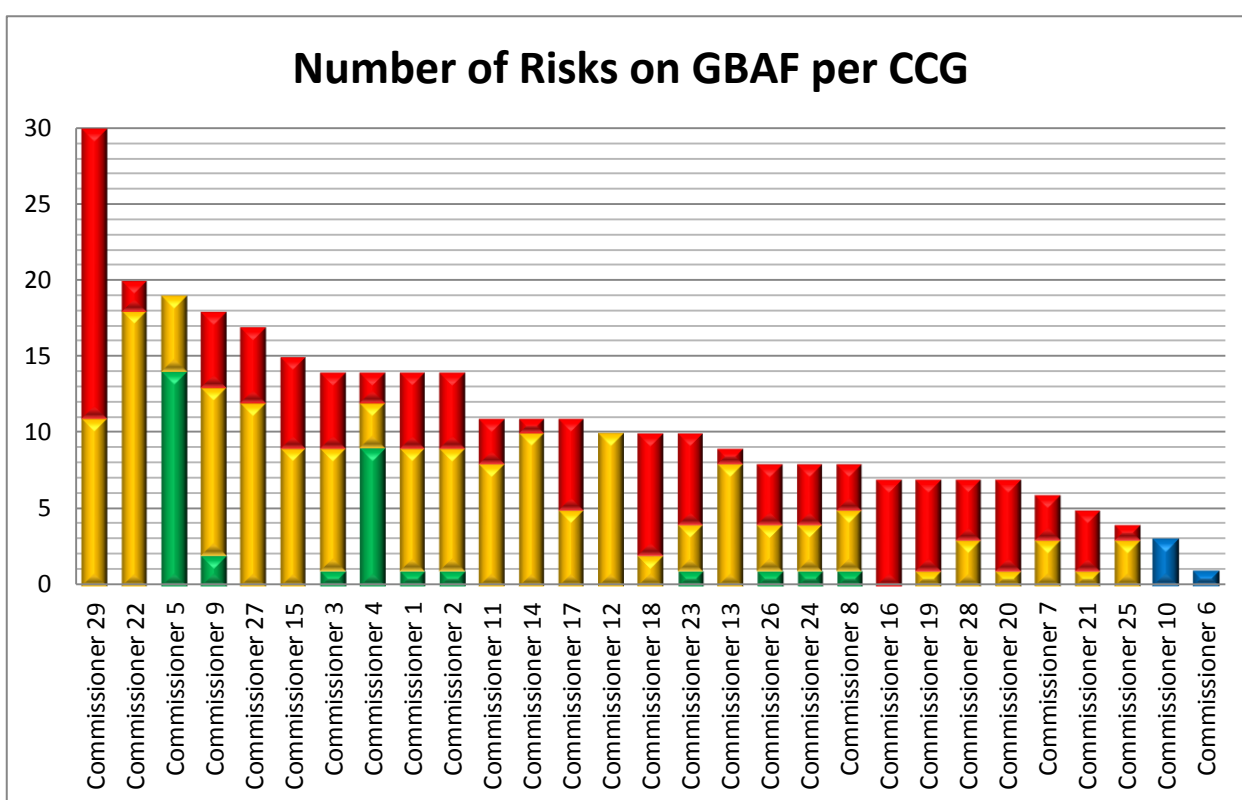


Figure 1

Points for Consideration

How many risks are your Governing Body members able to meaningfully monitor?

Do you have time to discuss each risk and the associated controls and actions in the detail it warrants?

How Are Risks Scored?

Across the GBAFs reviewed, there are variations in the score/rating given to risks by the organisations. Most CCGs use a 5 x 5 matrix to assess the current likelihood and impact of their risks, and the target scores they wish to mitigate the risks to, usually according to the following or equivalent definitions:

Score	Impact	Likelihood
1	Negligible	Rare
2	Low	Unlikely
3	Medium	Possible
4	High	Likely
5	Extreme	Almost Certain

		Impact				
		1	2	3	4	5
Likelihood	1	L	L	L	L	L
	2	L	L	L	M	M
	3	L	L	M	M	H
	4	L	M	M	H	H
	5	L	M	H	H	H

Figure 2 below illustrates the range of risk scores, where available, with the most common score being 12. There are 3 risks given the maximum score of 25.

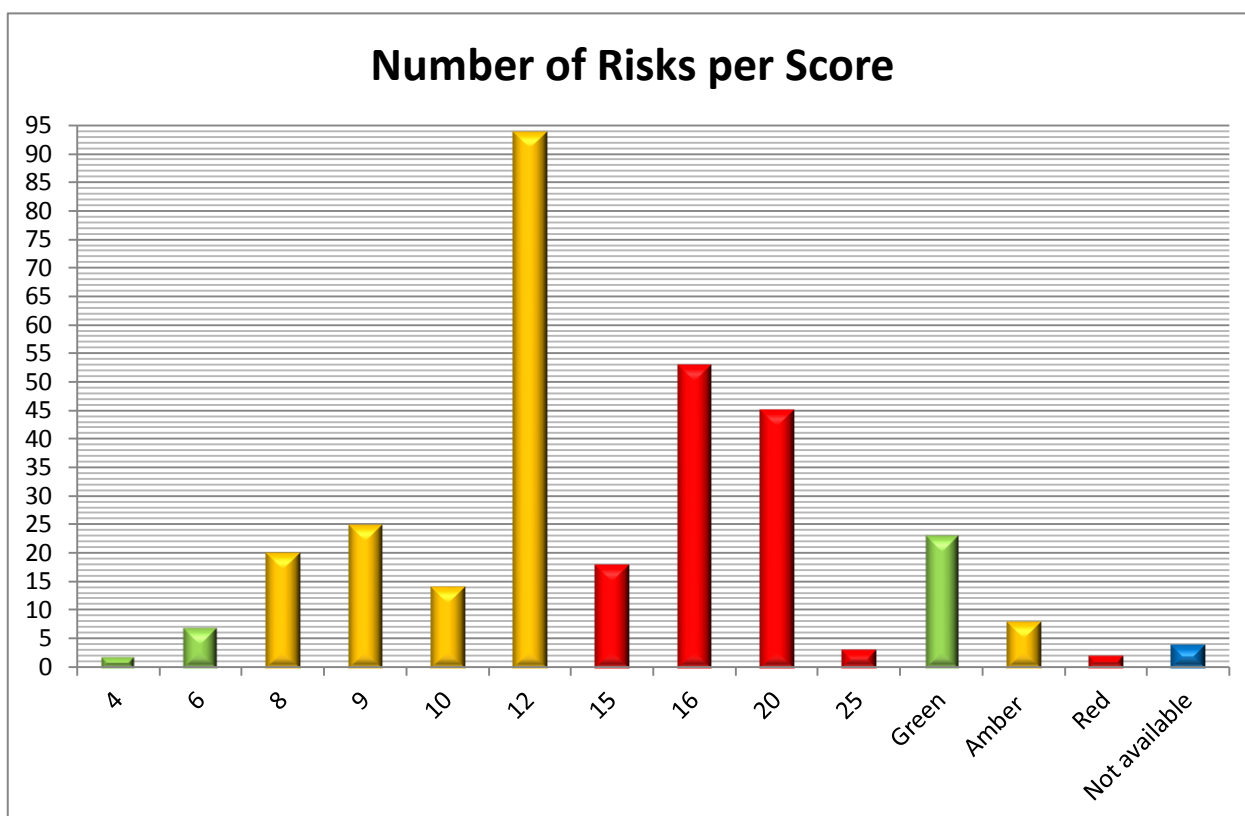


Figure 2

Although the scores currently assigned to risks on the GBAFs are skewed towards the higher levels, as would be expected, there is a significant proportion of risks which are scored as low. This indicates that some Governing Bodies are monitoring risks which they currently consider a low risk to the achievement of their strategic objectives, which can be further clarified using the

previous chart (Figure 1). Two GBAFs did not score the principal risks; of the remaining 27, there were 10 (37%) containing low scoring risks, therefore, the majority (63%) did not.

Points for Consideration

Is your Governing Body focusing on the most significant risks to your strategic objectives, or a wider spread of risks? What level of risk requires oversight by the Governing Body?

Do you have a threshold for the level of risk which should require oversight by the Governing Body?

Are there clear criteria, understood by the Governing Body, which set out which risks should remain on the GBAF?

Impact or Likelihood as Highest Scoring Component?

Assessment of risks must be consistent to enable an organisation to prioritise risks appropriately.

We analysed the 281 principal risks recorded, that included a likelihood and impact score, in order to understand the ways in which the likelihood and impact scores are used to assess the severity of risk.

An impact score of 5 indicates that this risk has extreme or catastrophic consequences for the strategic objectives of the organisation (i.e. an impact that could prevent the organisation from being able to operate). A likelihood of 5 should indicate that it is almost certain that the risk will mature and have the impact identified.

In the GBAFs we reviewed an impact of 5 is more prevalent with 59 instances of the highest risk rating, compared to 24 scores of 5 for likelihood. **Table 1** below shows (where possible) the breakdown of risk scores included in the GBAFs.

Likelihood Score	Impact Score						Total
	1	2	3	4	5	Not Available	
1	0	0	0	1	0	0	1
2	0	1	7	19	13	0	40
3	0	0	25	70	16	0	111
4	0	1	24	53	27	0	105
5	0	1	2	18	3	0	24
Not Available	0	0	0	0	0	37	37
Total	0	3	58	161	59	37	318

Table 1

Points for Consideration

What does a catastrophic impact on your strategic objectives look like for you?

What guidance and moderation is in place in your organisation to ensure that risks are scored consistently and appropriately?

What Are The Common Risk Areas?

In order to allow us to consider what the risk profiles of organisations looked like, we grouped risks into broad categories. It should be noted that any exercise seeking to do this is inevitably inexact, as risks can cover more than one area, and some risks may not be easily attributable. We also noted that a significant number of organisations had more than 1 principal risk in the categories used. However, the exercise is still able to give us a broad, but useful, understanding of the issues which commissioners feel are principal risks to achieving their objectives.

As can be seen in **Figure 3** below, we found that risks aligned to 13 overarching categories. These can be compared to consider both the number of risks in each category, but also the severity of those risks.

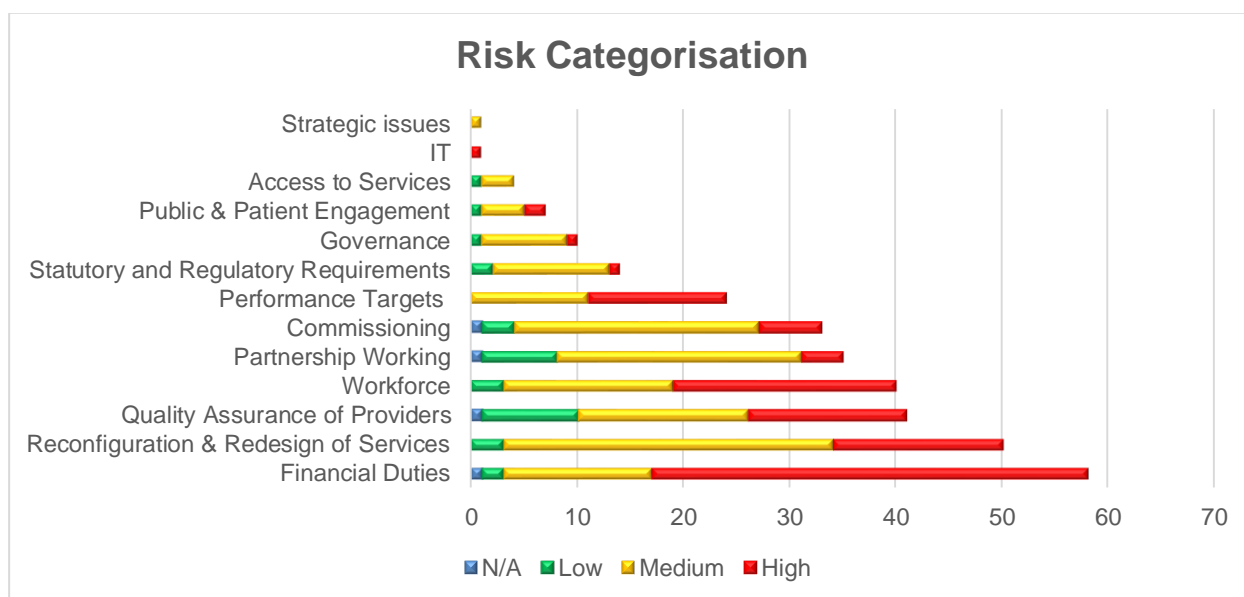


Figure 3

For further context, **Table 2** below compares the top 10 categories, by number of risks, for commissioners with the top categories identified by Mersey Internal Audit Agency (MiAA) in previous years. Please note that although MiAA carried out a similar exercise, and the results from their exercise are useful in our understanding of changing risks over recent years, the risks listed for 2015 – 2017 relate to a different cohort of organisations to those analysed for 2018.

	2018	2017	2016	2015
1	Financial Duties	Financial Duties	Corporate Systems and Processes	Corporate Systems and Processes

2	Reconfiguration and Redesign of Services	Quality Assurance of Providers	Partnership Working	Partnership Working
3	Quality Assurance of Providers	Reconfiguration and Redesign of Services	Reconfiguration and Redesign of Services	Quality Assurance of Providers
4	Workforce	Performance Targets	Commissioning	Financial Duties
5	Partnership Working	Commissioning	Quality Assurance of Providers	Commissioning
6	Commissioning	Public and Patient Engagement	Financial Duties	Performance Targets
7	Performance Targets	Workforce	Public and Patient Engagement	Public and Patient Engagement
8	Statutory and Regulatory Requirements	Access to Services	Access to Services	Access to Services
9	Governance	Statutory and Regulatory Requirements	Performance Targets	Reconfiguration and Redesign of Services
10	Public and Patient Engagement	Partnership Working	Primary Care	Primary Care

Table 2

The table above allows us to identify a general direction of travel over the past 4 years. Some key points to note are:

- Financial Duties and Reconfiguration & Redesign of Services are joint highest and, along with Quality Assurance of Providers, remain the three highest risk areas for the second year in a row, with the highest volume of risks associated with Financial Duties.
- Workforce has become a much higher priority this year. This covers both workforce issues experienced by providers, and capacity issues within the CCGs.
- Partnership Working has returned to a more prevalent position following a 10th place ranking in 2017, but featuring in 2nd place in the two preceding years.

As a complement to **Table 2** above, we have also ordered the risk categories in accordance with the average severity of risk scores, where available.

For example, although Performance Targets was ranked only 7th with regards to the volume of associated risks, each risk is proportionally more severe resulting in a ranking of (joint) 2nd by the average score measure, as detailed in **Table 3** below.

It shows:

- Financial Duties and Performance Targets are the highest rated common risks for each CCG, with an average risk score of 16. (IT appears in first place with a mean average score of 25, but this appeared on only one GBAF and is, therefore, an outlier).
- Reconfiguration & Redesign of Services, although a common risk category, only has an average risk score of 12.4. This suggests that although there are many risks associated with this area, they are not considered as severe as risks relating to finances, performance and workforce.
- Workforce is emerging as a high risk area, ranked in 4th place by volume (**Table 2** above) and with an average risk score of 14.7.

Risk Area	Number of risks with score below 12	Number of risks with score 12 (3 x 4 or 4 x 3)	Number of risks with score 15 (3 x 5 or 5 x 3)	Number of risks with score 16 (4 x 4)	Number of risks with score 20 (4 x 5 or 5 x 4)	Number of risks with score 25 (5 x 5)	Total	Average
IT	0	0	0	0	0	1	1	25
Financial Duties	6	7	10	12	17	1	53	16.0
Performance Targets	1	10	0	3	9	1	24	16.0
Workforce	4	12	0	13	8	0	37	14.7
Quality Assurance of Providers	4	12	1	9	5	0	31	14.1
Reconfiguration & Redesign of Services	15	17	4	8	3	0	47	12.4
Commissioning	10	11	1	2	3	0	27	12.1
Strategic Issues	0	1	0	0	0	0	1	12.0
Governance	5	3	0	1	0	0	9	10.9
Partnership Working	11	14	1	3	0	0	29	10.8
Public & Patient Engagement	4	1	0	2	0	0	7	10.7
Statutory and Regulatory Requirements	7	5	1	0	0	0	13	10.6
Access to Services	1	1	0	0	0	0	2	10.5
Grand Total	68	94	18	53	45	3	281	13.5

Table 3

Note, in the above table there were a further 37 entries which are excluded from the analysis as the risks were not recorded with a score.

Point for Consideration

Based on the issues identified as presenting concern to your peers, are you confident that you have considered all the potential principal risks to your strategic objectives?

How is Mitigation Monitored?

We sought to understand the risk appetite of CCGs with regards to the risks on their GBAFs, and the focus on mitigation actions being pursued.

The effectiveness of the GBAF may be more evident to Governing Bodies when they are able to compare the original, current and target risk scores. Our review identified 6 GBAFs (85 risks) which did not record a target score.

Where available, we have compared the current risk score with the target risk score. We identified the following trends:

- Based on the 233 risks with an overall target score, 55 (24%) had an overall target score the same as the current score and 4 (2%) had an overall target score higher than the current score.

Table 4 below compares the current score to the target score for each of the principal risks recorded that documented this information.

Current Score	Target Score											Not Available	Grand Total
	2	4	5	6	8	9	10	12	15	16	20		
4	1	1	-	-	-	-	-	-	-	-	-	-	2
6	-	3	-	2	-	-	-	-	-	-	-	2	7
8	1	-	1	-	16	-	-	-	-	-	-	2	20
9	-	5	-	12	-	-	1	2	-	-	-	5	25
10	-	-	-	3	-	-	10	1	-	-	-	-	14
12	-	11	-	25	19	5	-	19	-	-	-	15	94
15	-	-	-	3	-	3	3	2	4	-	-	3	18
16	-	10	4	9	7	4	-	5	-	1	-	13	53
20	-	5	1	6	5	3	-	8	6	2	2	7	45
25	-	-	-	-	-	-	1	1	-	-	-	1	3
Not Available	-	-	-	-	-	-	-	-	-	-	-	37	37
Grand Total	2	35	6	60	47	15	15	38	10	3	2	85	318

Table 4

For each of the risks with the necessary information recorded, we quantified the difference between the current Impact and Likelihood scores, and the intended reduction of these scores as indicated by the target score. As per **Table 5** below we found that:

- 53% of impact scores have no target movement from the current score
- 34% of likelihood scores have no target movement from the current score.

Intended reduction in Score	Number of instances for Likelihood	Number of instances for Impact
-2 ¹	1	0
-1 ¹	1	5
0	73	113
1	90	64
2	46	28
3	4	5
Not available	103	103
Total	318	318

Table 5

¹ There were a number of instances in which the target risk score was higher than the current risk score. This indicates the GBAF is not up to date, or that risks have already been mitigated below the original target risk score.

Points for Consideration

Does your GBAF show an up to date target score for each risk? Should a risk be removed from the GBAF when it reaches the target score?

Have you considered which element of the risk score you will concentrate on reducing – is it appropriate to focus on just one element?

Is there sufficient focus within the organisation to revisit controls or actions that could reduce the risks and improve the achievement of objectives?

Is there sufficient focus on the controls that can reduce the impact of a principal risk occurring, and is the Governing Body clear regarding controls to minimise impact and likelihood?



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