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This report is a summary of our perspective on the Board 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' Board Assurance Frameworks or risk management processes, which are the responsibility of those charged with governance.

Although we have sought to compare Board Assurance Framework (BAF) reports in order to identify particular trends, we recognise that assurance frameworks are particular to each organisation. The BAF document, as a key Board tool, should be designed and used in alignment with the needs of the organisation. It is up to the Board to assure itself that the governance framework supporting the BAF 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 Board level.

Introduction

The Board Assurance Framework (BAF) is a key aspect of good governance in all organisations. A properly functioning BAF will provide Board 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 Board's risk appetite.

Within the current environment, it is important for Boards 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 this can bring to their users and stakeholders.

We have reviewed the BAFs of 28 Provider organisations consisting of 7 Mental Health Trusts, 15 Acute Trusts, 2 Community Healthcare Providers and also 4 Ambulance Service Providers, mainly across the Midlands and Yorkshire, using those BAFs which were current as of June 2018. Across the BAFs, 393 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 4 to 41, in the number of principal risks being presented on the BAF, with a mean average of 16 (rounded).
- Most organisations follow the 5 x 5 (impact/likelihood) scoring approach and the average BAF score was 13.
- The areas appearing most commonly as BAF risks over the past 3 years are:
 - Quality of Services and Patient Safety;
 - Staff capacity and capability; and
 - Financial Duties, Continuity of Service and CIP.
- The risks with the highest average scores were not the most prevalent by number:
 - Performance Targets;
 - Contracts and Demand; and
 - Estates (including Maintenance and Health & Safety).
- The target movement in reducing risk scores is minimal. In some instances, organisations appear to be targeting an increase in risk.

How Many Risks?

We reviewed BAF reports to identify the number of risks each organisation was reporting to its Board. Utilising the risk score/rating given as presented on the BAFs, we categorised these as high (>12), moderate (8-12) and low (<8). Most providers have a majority of moderate and high risks, although some organisations have included lower rated risks in the BAFs received by the Board.

Organisations generally have between 7 and 22 risks on their BAF, with a mean of 16 (rounded). However, the total range is from 4 to 41 risks.

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

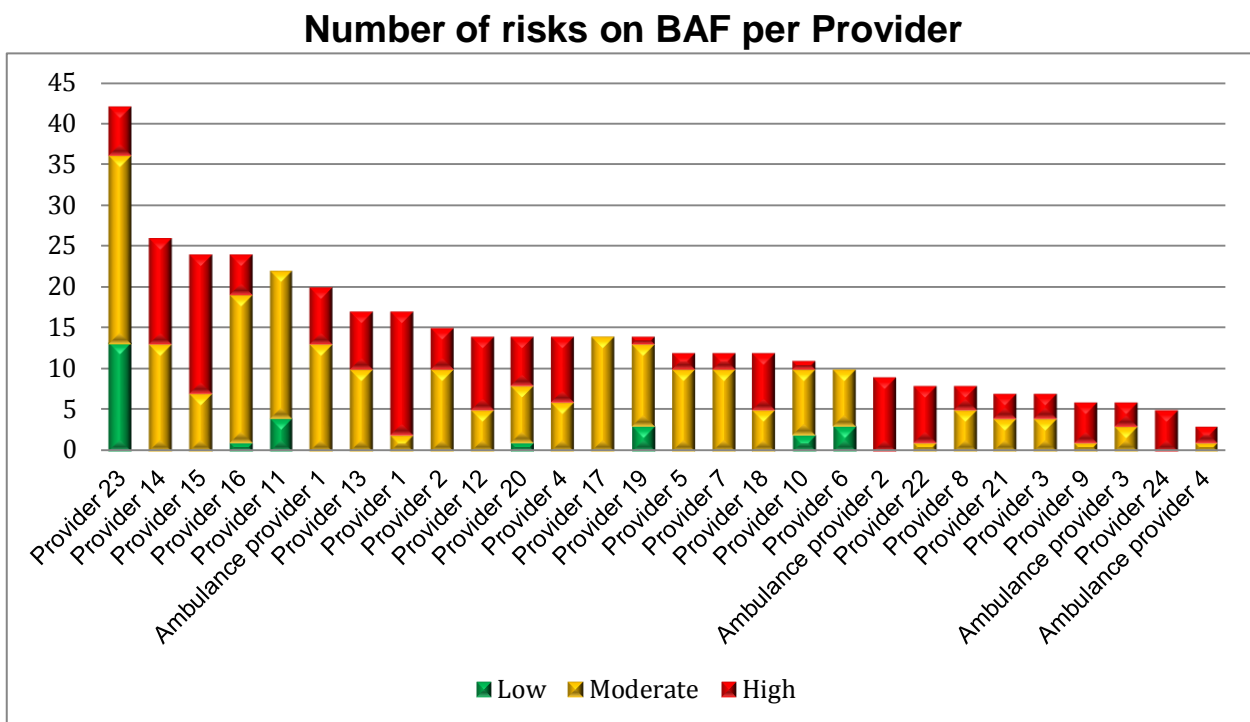


Figure 1

Points for Consideration

How many risks are your Board 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 BAFs reviewed, there are variations in the score/rating given to risks by the organisations. Most providers 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

There were 2 exceptions to this methodology in the BAFs we reviewed. One organisation rated their BAF risks Green/Amber/Red - for the purposes of this exercise we have labelled these as low, moderate, and high risk ratings.

One organisation rated their risks low, moderate, significant or extreme, but did not give a numeric score to the risks. We have again aligned these to low, moderate and high (significant/extreme) risk labels.

Figure 2 below illustrates the range of risk scores, where available, with the most common score being 12. There is only 1 risk given the maximum score of 25. We noted some BAFs recording risks with no score assigned – these are indicated as “Not available”.

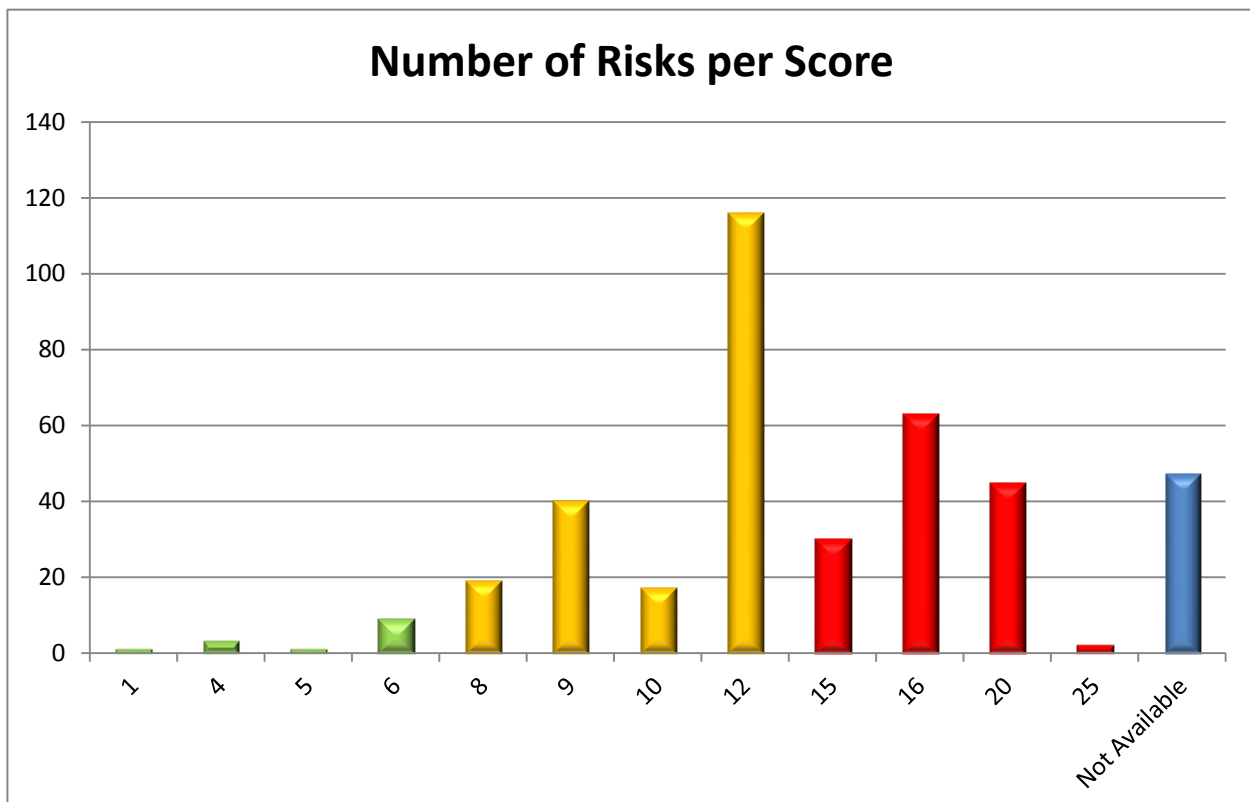


Figure 2

Although the scores currently assigned to risks on the BAFs 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 Boards 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); 7 of the 28 BAFs contained low scoring risks (25%), therefore, the majority (75%) did not.

Points for Consideration

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

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

Are there clear criteria, understood by the Board, which set out which risks should remain on the BAF?

Impact or Likelihood as Highest Scoring Component?

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

We analysed the 393 risks recorded 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 BAFs we reviewed an impact of 5 is more prevalent, with 70 instances of the highest rating, compared to 17 scores of 5 for likelihood. **Table 1** below shows (where possible) the breakdown of risk scores included in the BAFs.

Likelihood Score	Impact Score						Total
	1	2	3	4	5	Not available	
1	0	0	0	0	1	-	1
2	1	3	2	14	15	-	35
3	0	5	35	58	23	-	121
4	0	2	24	42	29	-	97
5	0	0	2	13	2	-	17
Not available	-	-	-	-	-	-	122
Total	1	10	63	127	70	122	393

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 a significant number of organisations had more than one principal risk in the categories used. However, the exercise is still able to give us a broad, but useful, understanding of the issues which providers 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.

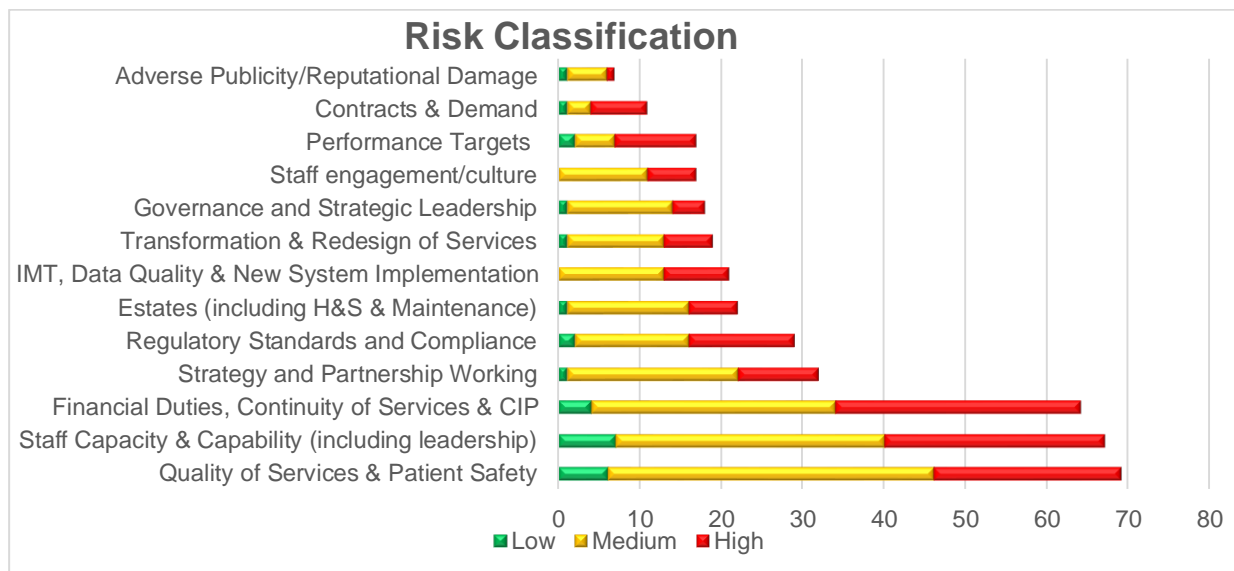


Figure 3

For further context, **Table 2** below compares the top 10 categories in 2018 by volume of risks for providers 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	Quality of Services & Patient Safety	Financial Duties, Continuity of Services & CIP	Quality of Services & Patient Safety	Transformation & redesign of service
2	Staff Capacity & Capability (including leadership)	Staff Capacity and Capability (Including Leadership)	Staff Capacity and Capability (Including Leadership)	Staff Capacity and Capability (Including Leadership)
3	Financial Duties, Continuity of Services & CIP	Quality of Services & Patient Safety	Financial Duties, Continuity of Services & CIP	IMT, Data Quality & New System Implementation
4	Strategy & Partnership Working	IMT, Data Quality & New System Implementation	Transformation & redesign of service	Financial Duties, Continuity of Services & CIP
5	Regulatory Standards and Compliance	Transformation & redesign of service	Regulatory Standards	Performance Targets
6	Estates (including H&S & Maintenance)	Performance Targets	IMT, Data Quality & New System Implementation	Quality of Services & Patient Safety
7	IMT, Data Quality and New Systems Implementation	Regulatory Standards	Contracts & Demand	Regulatory Standards
8	Transformation and Redesign of Services	Contracts & Demand	Performance Targets	HR, OD & Employment Framework
9	Governance and Strategic Leadership	Strategic Partnerships & Partnership Working	Patient Experience, Feedback & Complaints	Business Development & Growth
10	Staff Engagement/Culture	Staff Engagement/Culture	Staff Engagement/Culture	Estates (including H&S & Maintenance)

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:

- For 3 years, provider organisations have had a risk profile in which Staff Capacity and Capability of Workforce, Financial Duties, and Quality of Service Delivery have been the most prevailing risks to the strategic objectives.
- Beneath these most common risks, inability to meet Regulatory Standards, and Partnership Working both emerge with a higher frequency than in previous years.
- We note that Estates (including Health & Safety and Maintenance) risks seem more prevalent than previous years. Conversely, the Transformation and Redesign of Services risk was ranked highest in 2015 yet its prevalence has gradually reduced to be positioned 8th in 2018. However, as previously noted, this must be considered in the context of a different cohort of Provider organisations' BAFs being the source of data than in the previous exercise by MiAA.
- Finally, it should be noted that risks around governance feature within organisations' BAFs. Provider organisations are increasingly expected to establish new ways of working both internally and with partners. This seems to have led to concerns that risk management, reporting and accountability structures may not be sufficiently robust to

provide proper oversight. The current version of the HfMA Audit Committee Handbook (4th edition, 2018) highlights this as an area that Audit Committees should turn their attention to.

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 11th with regards to the volume of associated risks, each risk is proportionally more severe resulting in a top ranking by the average score measure, as detailed in **Table 3** below.

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
Performance Targets	1	5	1	4	4	0	15	15.0
Contracts & Demand	1	1	2	3	1	0	8	14.9
Estates (including H&S & Maintenance)	3	7	0	2	2	1	16	14.3
Financial Duties, Continuity of Services & CIP	12	15	7	10	12	1	57	14.2
Staff Capacity & Capability (including leadership)	13	22	3	14	9	0	61	13.3
Regulatory Standards	8	4	3	5	4	0	24	13.2
Staff engagement/culture	4	7	0	5	1	0	17	13.0
Transformation & Redesign of Services	2	10	1	4	1	0	18	12.9
Quality of Services & Patient Safety	17	24	4	10	6	0	61	12.8
IMT, Data Quality & New System Implementation	8	5	4	1	1	0	19	12.0
Strategy & Partnership Working	11	10	4	2	2	0	29	11.9
Governance and Strategic Leadership	6	4	1	2	1	0	14	11.9
Adverse Publicity/Reputational Damage	4	2	0	1	0	0	7	10.4
Grand Total	90	116	30	63	45	2	346	13.2

Table 3

The table above shows that some of the highest volume risk categories are not associated with the highest average risk ratings. This suggests that within the risk categories such as Financial Duties, Staff Capacity and Quality of Services, there is a large spread of risks, with many less significant risks also receiving BAF level attention.

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 Providers with regards to the risks on their BAF, and the focus on mitigation actions being pursued.

The effectiveness of the BAF may be more evident to Boards when they are able to compare the original, current and target risk scores. Our review identified only 4 instances in which this approach was adopted, and in 5 cases organisations did not record a target score at all.

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

- Based on the target score given, no further mitigation is being sought for 145 / 393 risks (37%).
- For the 180 risks which recorded both the current and target likelihood and impact, there were 10 instances in which either the impact or the likelihood was expected to increase, i.e. the potential impact or likelihood should rise. This may indicate that the BAF is out of date, or that the risks have already exceeded their original mitigation target.

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

Current Score	Target Score														Grand Total
	1	2	3	4	5	6	8	9	10	12	15	16	20	Not Available	
1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
4	2	-	-	1	-	-	-	-	-	-	-	-	-	-	3
5	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
6	-	-	2	1	-	-	-	-	-	-	-	-	-	6	9
8	1	-	-	5	-	1	4	-	-	-	-	-	-	8	19
9	-	1	3	6	-	7	1	6	-	-	-	-	-	16	40
10	-	-	-	1	8	-	-	-	4	-	-	-	-	4	17
12	1	-	-	9	-	17	24	20	1	12	-	-	-	32	116
15	-	-	-	-	1	1	-	2	19	3	1	-	-	3	30
16	1	-	1	1	-	1	10	6	-	24	-	3	-	16	63
20	-	-	-	-	-	1	2	3	6	10	3	5	4	11	45
25	-	-	-	1	-	-	-	-	-	1	-	-	-	-	2
Not Available	-	-	-	-	-	-	-	-	-	-	-	-	-	47	47
Grand Total	5	1	6	25	9	28	41	37	30	50	4	8	4	145	393

Table 4

For each of the risks with the relevant 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:

- 28% (50 / 180) of likelihood scores have no target movement from the current score;
- 63% (114 / 180) of impact 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	3
-1 ¹	1	5
0	50	114
1	94	39
2	28	13
3	5	6
4	1	0
Not Available	213	213
Total	393	393

Table 5

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

Points for Consideration

Does your BAF show an up to date target score for each risk? Should a risk be removed from the BAF 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 Board clear regarding controls to minimise impact and likelihood?



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