

A Benchmarking Exercise



Introductions & Contents

360 Assurance, Audit Yorkshire and MIAA are three NHS Internal Audit consortia. We have reviewed the Board Assurance Framework reports (BAFs) of 47 provider organisations. We have worked together to include a broad spread of providers across our constituent regions and focused our report on the following:

- the strategic objectives to which risks in BAFs relate;
- the risks themselves, including formulation, number/frequency, scoring and category;
- the effect of COVID-19 on the organisations' BAFs; and,
- how BAFs have been designed to reflect the maturity of the risk management systems within organisations.

We obtained copies of the BAFs in place as at July 2020 to conduct this benchmarking. It should be noted that, at that point in time, some organisations had not updated their BAF to reflect the potential impact of COVID-19 on achievement of their strategic objectives, while others had temporarily put in place a COVID-19 specific BAF. We know of some organisations who have updated their BAF to align risks to the current environment since July 2020.

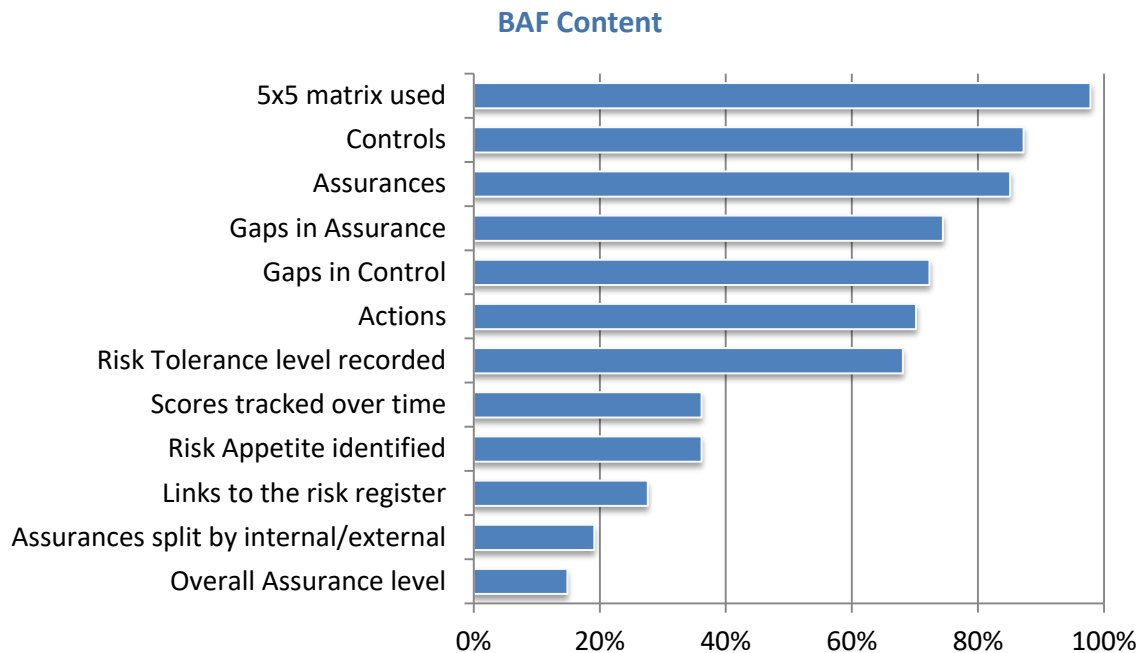
The BAF should remain the primary document supporting Boards to manage their strategic risks. We note that, to date, many organisations have rolled forward their 2019/20 BAFs and updated to varying degrees to reflect the current environment. There have been different approaches to how organisations have mapped COVID-19 risks into existing risk management arrangements. However, we would expect the BAF to remain a dynamic document and COVID-19 risks to be integrated into the current risk management processes.

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Format of the BAF

We reviewed the format and general content of BAFs to identify the differences in how organisations choose to review and report on the principal risks to their strategic objectives.



Only a limited number of organisations visually track the rating of their principal risks over time or include the date the risk was originally identified. Where this is done, it enables users to understand how a risk has developed and changed over time, and enables the BAF to be a source of monitoring the effectiveness of risk management systems and processes.

Those who record risk tolerance and risk appetite mostly do so by risk rather than objective, as risk management theory suggests. Few BAFs reported on the overall assurance gained in relation to the risk.

Questions for the Board

How do you monitor progress if you do not capture changes (e.g. the date the risk was identified, or a change in action date)?

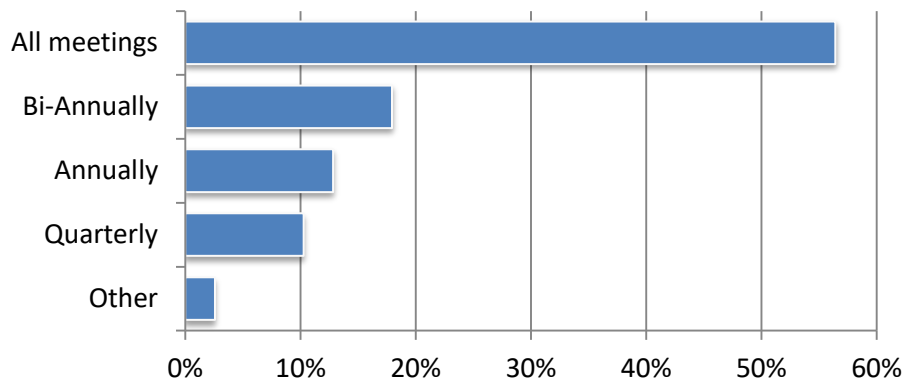
Can you assess the impact of the completed action by showing a reduction in the risk score?

If you don't assess the risk tolerance or appetite, how do you assess how much effort and resource to put into taking action?

Responsibility for the BAF

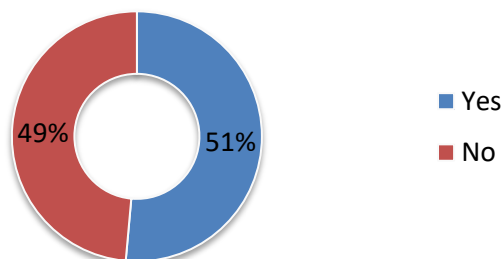
We sought to understand how different organisations have allocated responsibility for monitoring the effectiveness of the BAF. It is the responsibility of all Audit Committees to receive assurance that strategic risks are being properly identified and managed. The frequency of review varies, with some Audit Committees reviewing the BAF at all meetings. However, almost a third of providers' Audit Committees only review the BAF twice a year or less.

Frequency of BAF presented at Audit Committee



The Audit Committee has a responsibility to ensure that risk management arrangements are effective and adhered to within an organisation. Some organisations have other Board committees with responsibilities for the risk management framework. We identified an even split between those with another committee with responsibility for governance and risk in addition to the Audit Committee.

Is any other Committee responsible for the risk management framework?



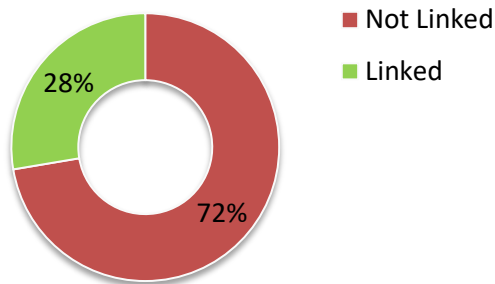
Questions for the Board

Does the Audit Committee have sufficient oversight of the BAF to fulfil its responsibilities for overseeing the effectiveness of risk management in line with the Terms of Reference?

Where other committees are identified with responsibility for oversight of the risk management framework, is it clear how this complements the role of the Audit Committee?

Relationship between operational risk and strategic risks on the BAF

Do the risks on the BAF link to the risk register?

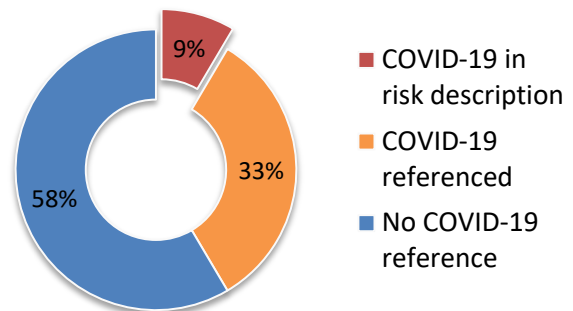


We reviewed the BAFs to identify whether strategic risks were clearly linked to the wider risk register and found that this was not explicit for the majority of organisations.

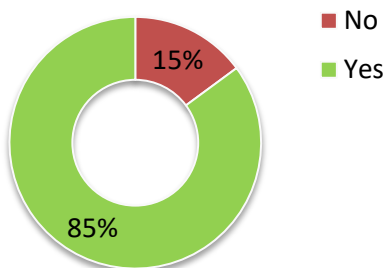
Without a clear connection between operational and strategic risks, emerging strategic risks may not be identified in a timely way, or changes to the volume or profile of risks in the risk register do not inform the consideration of impact and likelihood of existing strategic risks.

% of Risks by Covid reference

Most organisations have reflected COVID-19 in the BAF to some degree.



Is COVID-19 mentioned anywhere on the BAF?



15% of providers had not referred to the pandemic at all in their BAF as at July 2020.

Questions for the Board

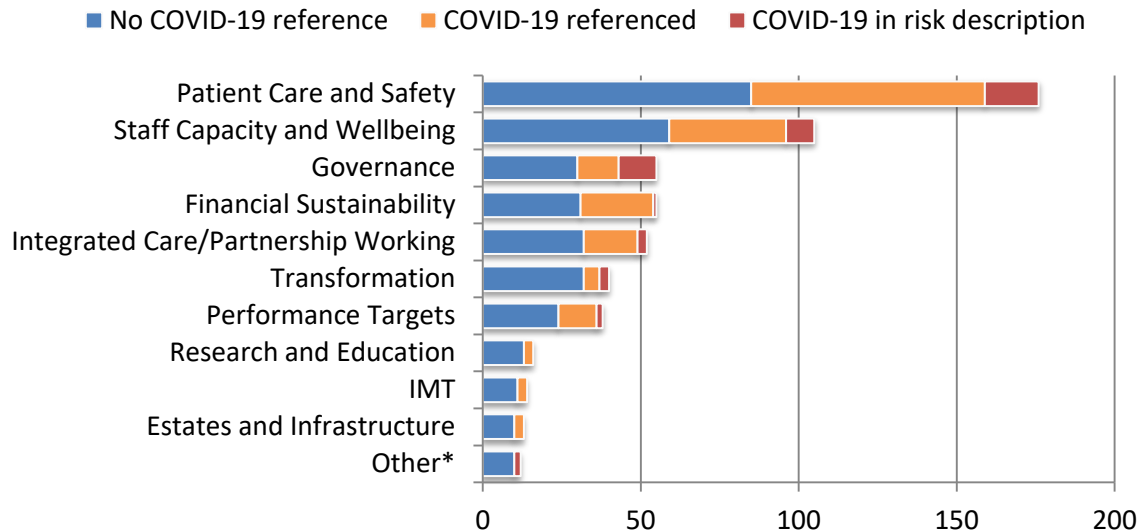
How are significant changes in your risk register considered when updating the BAF? How clear and timely are these changes?

Does each operational risk link back to a strategic objective and do strategic risks clearly identify the operational risks which may affect their impact or likelihood?

Links to strategic objectives

By analysing the number of risks per objective type it was clear 'Patient Care and Safety' was most prevalent, followed by 'Staff Capacity and Wellbeing'. These areas were also most impacted by the pandemic, both directly in the risk description or by referring to COVID-19 in additional risk information. 'Governance' objectives also have a high proportion of risks which reference COVID-19 in the risk description.

Number of risks per strategic objective category



*Some organisations did not link their risks to explicit objectives

It is important for all organisations to have a clear idea of what they seek to achieve. The objectives clarify the organisation's purpose and priorities through which they seek to achieve success. The BAF is primarily a tool through which an organisation assesses and manages the principal risks to these objectives. Therefore, it is important to clearly link the two.

Questions for the Board

Are the organisation's objectives SMART?

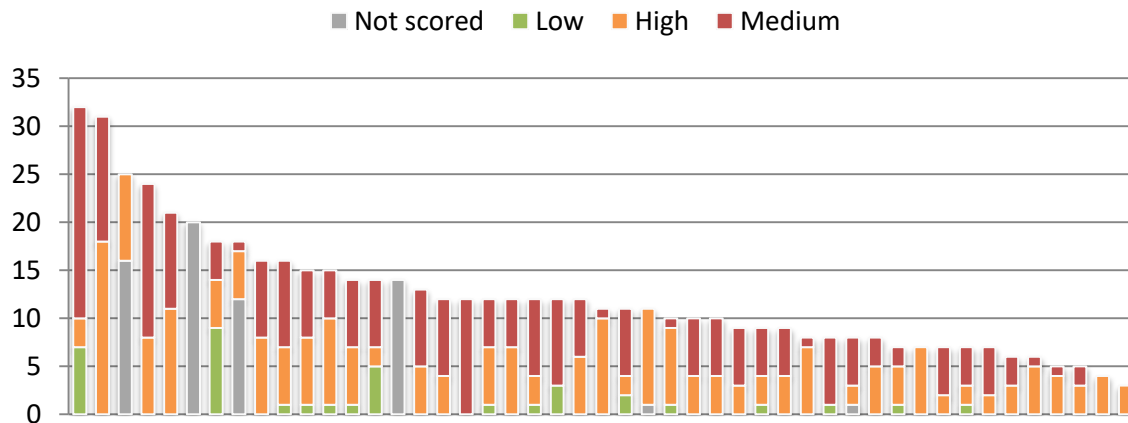
Do risk descriptions clearly state how a risk will impact achievement of the relevant objective?

Have you considered all strategic risks associated with an objective? Do you have any objectives which have no identified risks to their achievement?

Numbers of risks and scores

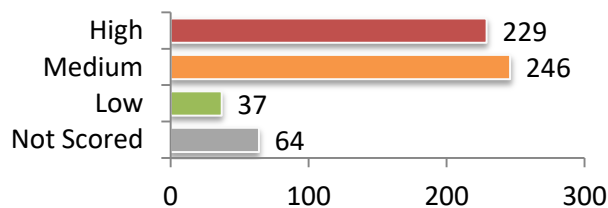
Most providers have a majority of moderate and high risks, although some organisations have included lower rated risks in the BAFs. Low risks make up a substantial proportion of a few BAFs. BAFs reviewed have between 3 and 32 risks on their BAF, with a median of 11.

Number of risks by score on BAF per provider



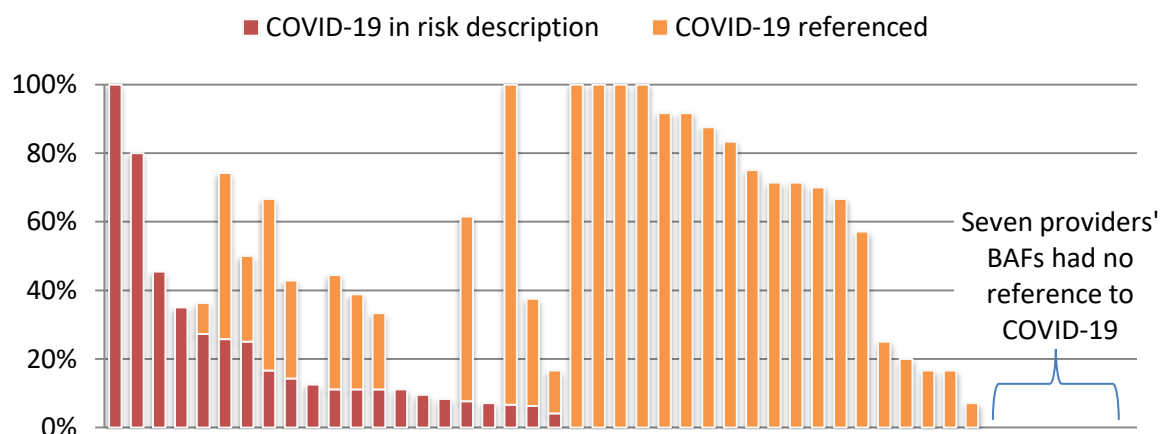
*The provider with the lowest risk had only reported a specific COVID-19 BAF

Scoring of risks on BAF



There are marginally more medium risks on BAFs than high risks. A number of risks to achievement of strategic objectives assessed as being low have been included within the BAFs, and some have not been scored at all.

% of risks relating to Covid - by Provider

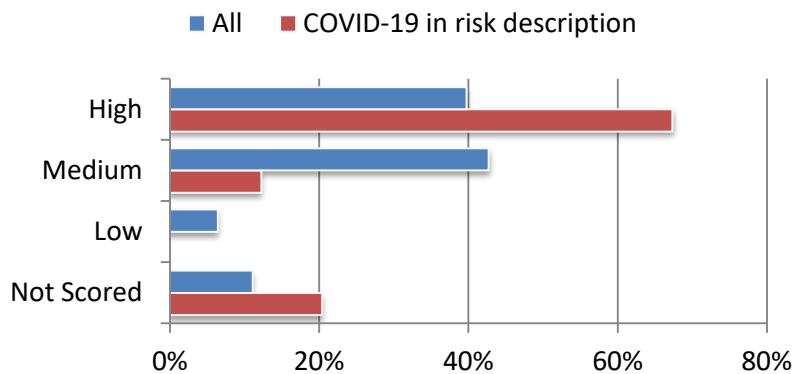


Almost all providers updated their risks for COVID-19 either in the risk description itself or have mentioned it in the supporting information. Seven providers have not mentioned COVID-19 anywhere in their BAF.

Six out of 47 Providers made reference to COVID-19 on all of their risks; most of these were mentioned in the supporting information. One provider had a COVID-19 specific BAF which was

the only BAF reported by that provider. Where a risk referred to the pandemic, this was mostly in the supporting information rather than the risk description.

Scoring profile All Vs COVID-19 risks



The scoring profile of COVID-19 risks leans more towards higher risks than the overall risk profile, with almost 70% of COVID-19 related risks rated as high compared to 40% across the overall BAF.

Questions for the Board

Have you identified all risks which should be monitored through the BAF?

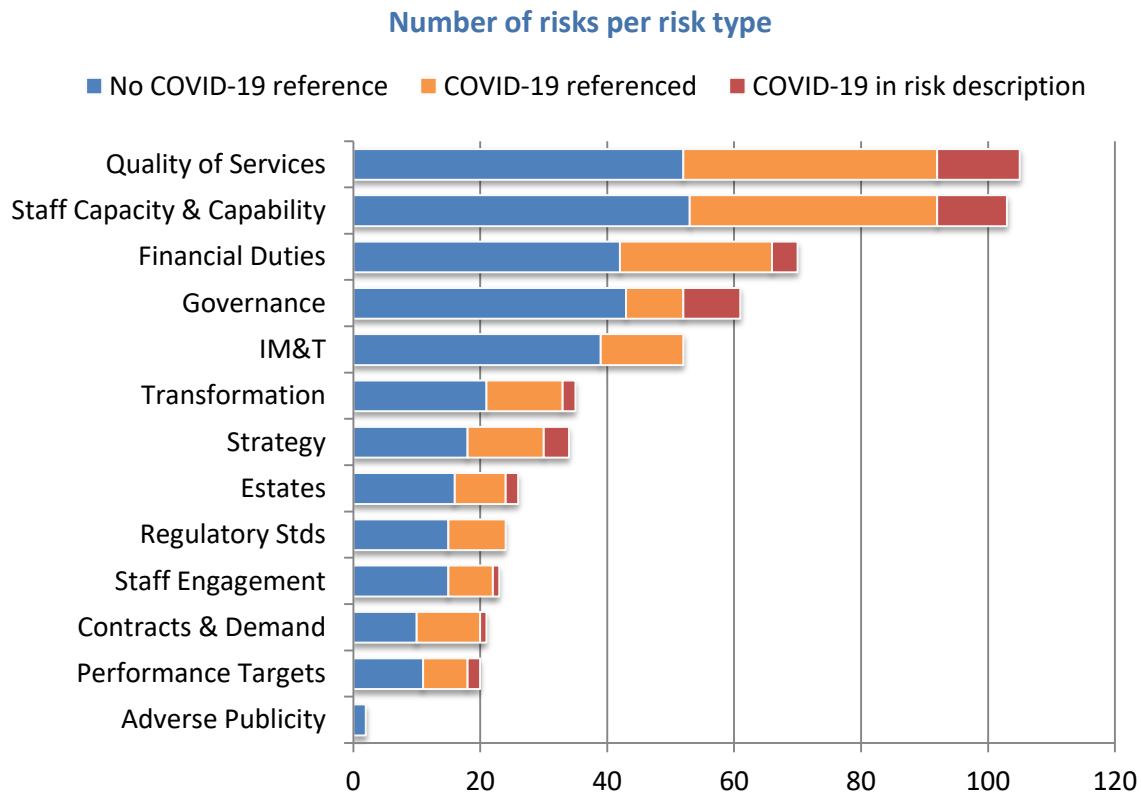
Does your Board have capacity to give proper scrutiny and attention to each of these risks?

Are all risks included in the BAF still relevant and appropriate?

Have you sufficiently considered COVID-19 against all risks on the BAF?

Risks per category

In order to review risk profiles of organisations, we grouped risks into broad categories as seen below.



‘Quality of Services’ has the highest number of risks. COVID-19 has impacted the Quality of Services more than any other risk type. Staff risks are a close second and have been recognised as a priority area for several years now. It is also notable that by volume, providers have more risks within these areas, than financial risks.

Some risks were overly generalised in their description, not setting out what the exact implications of a risk were. The majority of risks were not written in such a way as to make the cause, uncertain event and the resulting effect/impact upon the relevant objective(s) of the organisation clear.

Questions for the Board

Are you confident that the risks identified in your BAF cover all of the areas which you are concerned about as a Board and might impact on the achievement of your objectives?

How has your BAF risk profile changed over time as the actions you have taken to mitigate risks take effect?

Are your risks written clearly, identifying the cause, uncertain event and the resulting effect/impact upon the relevant objective(s) of the organisation?



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