



BOARD ASSURANCE: A TOOLKIT FOR SOCIAL HOUSING PROVIDERS

Do we really know what we think we know?

THE POWER OF BEING UNDERSTOOD
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FOREWORD

The principle of autonomy through co-regulation is embedded within the regulatory framework for social housing providers.

However, both within that framework and within the 2014 Sector Risk Profile published by the Homes and Communities Agency (HCA) is the requirement that "boards are responsible for managing their organisations, including understanding all the risks they face, ensuring they have the appropriate skills and gaining assurance the risks are being managed effectively... good governance and effective risk management support each other in well run organisations."

In addition, the regulators in Scotland and Wales are also explicit in their regulation of social housing providers.

With the ever changing social housing landscape and increased pressure on funding and diversification of role, more than ever the fulfilment of these responsibilities requires effective arrangements for risk management, control, governance, value for money and the robustness of the quality of data.

As the primary body in providing assurance to the board on the adequacy and effectiveness of these arrangements, the audit committee or its equivalent needs to continually challenge its understanding and routinely ask: 'Do we really know what we think we know?'

Most social housing providers know the risks that they face and know the controls that they have in place that keep those risks to an acceptable level. But how do they know those controls are doing the job they should be? This is where the use of an assurance framework can help.

In addition, an effective board assurance framework is, however, dependent on how successfully you have understood, mitigated and monitored the risks that your social housing provider faces, but also to identify where your assurance needs are, current and future state. The development of a board assurance framework should be a logical extension of your existing risk management arrangements, and for a number of social housing providers, this is already embedded. There is, however, no harm in reflecting on your existing risk management arrangements with a view to ensuring that they remain fit for purpose in the ever changing environment in which you are operating today and in the future.

We all know that the future presents a number of uncertainties that will need to be identified and, where possible, managed. Therefore it is of utmost importance that the audit committee in providing its assurances to the board is itself assured that the arrangements being put in place will be effective. The board also needs to be assured that it will not be heavily criticised for failing to do something that by its nature (for example, providing an efficient and effective repairs service that meets the needs of their tenants and balances planned and responsive maintenance) should always be well managed.

I would therefore encourage all members of your board and associated committees to ask the question: 'do we really know what we think we know?'

1.0 INTRODUCTION

The HCA through its Regulatory Framework for social housing providers and its annual Sector Risk Profile together with those frameworks governing Scotland and Wales are explicit in their accountability requirements.

The HCA, for example sets out in its annual Sector Risk Profile the responsibilities it expects social housing providers to discharge through its co-regulation approach. This includes ensuring that:

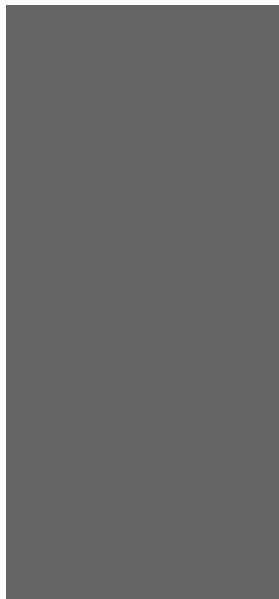
- social housing providers stress test their business plans by considering "current and potential risks in their local business environment and as they affect their particular business profile." ;
- social housing providers must know "the different combinations of external circumstances that can break their business and to take appropriate mitigating measures to prevent this outcome." ;
- "boards must retain sufficient control and have the required skills in order to manage risk effectively." ;
- "boards are responsible for managing their organisations, including understanding all the risks they face, ensuring they have the appropriate skills and gaining assurance the risks are being managed." ; and
- "poor governance within an organisation is often a forward indicator of future problems. If a board does not fully understand the implications of, and risks associated with, the decisions it makes it is often unable to act quickly to resolve issues when they arise in the future."

Many of these responsibilities are not new and social housing providers are well aware of what is expected of them in fulfilling these requirements at both strategic and operational levels.

However, the key question that boards and audit committees need to ask is:
'Do we really know what we think we know?'

As a firm, we have seen board assurance frameworks being successfully implemented in the corporate and the public/ not for profit sector. We have assisted many clients develop frameworks to suit their particular needs, but most of all to ensure that they are better positioned to understand and mitigate risk and achieve their objectives, and of course be assured that this is the case. As this is a concept which is still on a journey within the social housing sector, and given our provision of audit and assurance services to a significant number of social housing providers nationally, we thought it only right and proper that we share our experience with you and provide support to the sector through the provision of this toolkit.





2.0 CORE ASPECTS OF A BOARD ASSURANCE FRAMEWORK

2.1 WHAT IS A BOARD ASSURANCE FRAMEWORK?

A board assurance framework has been defined as follows, drawing on HM Treasury Guidance 'The Orange Book: Management of Risk – Principles and Concepts':



an evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.



Assurance therefore draws attention to how risk management, governance and internal control are functioning and, just as important, the aspects that need to improve and actions that need to be taken. Assurance helps a board to judge whether or not it is focusing on the most significant issues in relation to achieving the organisation's objectives and whether best use is being made of resources.

The development of a board assurance framework should be a logical extension of a social housing provider's existing risk management arrangements. It is important therefore that you are satisfied with how your board and audit committee understands and implements risk management, and that you maintain an informed engagement with the risks and opportunities that it faces. If these arrangements are effective they will help you to understand the process and control environment, and help you answer the core questions; 'What do we want assurance over? And how much assurance do we need?'

Developing and maintaining a board assurance framework is not, and should not be, a separate activity, but rather an embedded tool of management. As a natural extension of risk management, it would be reasonable to incorporate your board assurance framework policy and procedures into your risk management documentation.

2.2 WHAT IS MEANT BY 'ASSURANCE'?

The word assurance is used a lot in everyday language and can mean different things to different people. It is important that everyone involved in developing, implementing and maintaining the board assurance framework is clear on what is meant by assurance for their own institution, and where the assurance comes from. The question the board, audit committee and management should be asking themselves is: 'Do we really know what we think we know?'

Fig 2.2.1 Definition of assurance

ASSURANCE	
Provides	Confidence/evidence/certainty
To	Management/directors/members
That	Which needs to be done is being done

2.3 WHAT IS ASSURANCE MAPPING?

Assurance mapping is a key part of developing and maintaining the board assurance framework. It provides institutions with an improved ability to understand and confirm that they 'Do really know what they think they know'.

Assurance mapping identifies and records the key sources of assurance that inform management and the board on the effectiveness of how key risks are managed or mitigated, and of the key controls/processes that are relied on to manage risk and achieve the institution's objectives. More detail is provided in section 3, but for example, sources of assurance could include:

- management review of checks (eg approved financial procedures and compliance therewith);
- a cross organisational review (eg review of sickness and absence);
- internal audit reports; and
- inspection/review by an external body (eg HCA, IIP Accreditation, Health and Safety Executive).

The above examples are far from exhaustive and you will find when you start looking that you receive assurances from a whole host of sources, both internal and external. The questions you should continually ask yourself are where does the assurance from, and is it sufficiently independent?

The aim of assurance mapping is to provide a comprehensive picture of: where the social housing provider receives assurance; has too much; is duplicated, or has none at all; and whether they are set at the right level to meet your needs. You may also want to consider the independence of any assurance provided in terms of how much reliance or comfort you can take from it.

2.4 WHY SHOULD WE DO ASSURANCE MAPPING?

Everyone at some stage has believed, or assumed, that because something negative has not happened that the 'controls' in place must be working.

But how many times have you read in the press of financial, safeguarding or fraud issues arising at organisations that seemingly had controls in place to manage key risks? In many of these cases controls were in place to manage the risks, but assurance was not obtained that they were being applied effectively.

If something did go wrong, or an opportunity is missed, could you find yourself saying "why did that happen?" or "how did that happen?" or "I thought X had done it" or asking the question "who checked that it was done?"

When the various governance statements to be included in the annual accounts are being prepared and agreement sought to sign the annual accounts, how do you really know that the internal controls are working effectively? What will be the consequences if they are not effective?

You have the freedom to decide on where you receive assurance sources from, other than those that you are required to obtain from external auditors and internal auditors through their scope of work.

The board, audit committee and the senior team need to be able to consider what is an appropriate source of assurance, but how do you make that decision? By developing a board assurance framework, and understanding the assurances you require, you are enabling that informed decision.

However, developing a board assurance framework, and particularly the assurance mapping process, needs resources (mainly time), and so it is important to understand what the benefits are. The benefits themselves though, to a large extent, fall out of the challenges faced by management, audit committees and boards in the sector, as outlined in Fig 2.4.1.

Fig: 2.4.1 Outline benefits of a board assurance framework for each key stakeholde

MANAGEMENT	AUDIT COMMITTEE	BOARD
What assurances do they have that processes and controls are effective that will result in achievement of corporate objectives?	Provide advice to the governing body on the status of governance, risk and internal controls, as well as data quality and value for money. Where do they get their assurances from?	Collectively responsible for all decisions and must provide an opinion each year within the statement of corporate governance and internal control

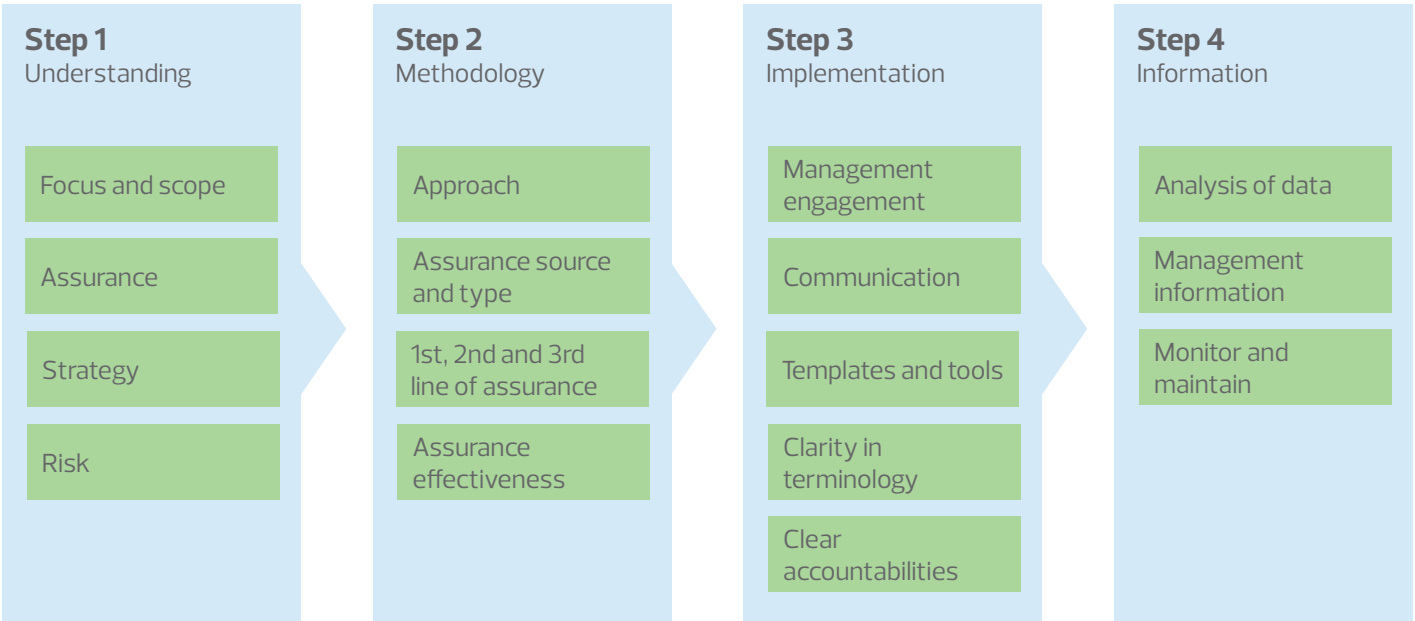
The application of the board assurance framework will help management and the board to consider collectively the process of securing assurance using a formal structure that promotes good organisational governance and accountability. Specific benefits of an embedded framework include:

- gaining a clear and complete understanding of the services you deliver, the activities undertaken and the types of assurance currently obtained, and consideration as to whether they are effective and efficient;
- identifying areas where assurance activities are not present, or are insufficient for your needs (assurance gaps);
- identifying areas where assurance is duplicated, or is disproportionate to the risk of the activity being undertaken (ie there is scope for efficiency gains);
- identifying areas where existing controls are failing and as a consequence the risks that are more likely to occur;
- the ability to better focus existing assurance resources; and
- providing an evidence base to assist the institution in the preparation of the various governance and risk management statements in the annual accounts.

3.0 PRACTICAL DEVELOPMENT OF THE BOARD ASSURANCE FRAMEWORK

There are four key steps to developing the board assurance framework, as outlined below.

Fig 3.0.1: Board assurance framework steps



3.1 STEP 1: UNDERSTANDING

- Assurance**
This toolkit should aid the understanding of what assurance and assurance mapping is, and how you can tailor these to meet your needs. It is important that the understanding of assurance is developed across the whole organisation as this will contribute to the buy-in from those involved, consistency in the application of processes and the production of good quality management information.
- Risk**
Take a look at how your organisation understands and implements risk management. Challenge the risks and opportunities that it faces, does the board, audit committee and the senior team understand your process and control environment that you seek assurance over? When you start to map assurances, what risks are you going to cover: all risks? strategic? business as usual? a mixture?
- Focus and scope**
The purpose of the framework is to help the social housing provider determine how it will gain assurance over the effectiveness of controls that the organisation relies upon to achieve its objectives. It is important therefore that the scope of the framework is set in the context of the social housing provider's objectives.
- Strategy**
Setting the social housing provider's strategic goals, and then seeking assurances around the operation of controls and processes aimed at delivering those goals, is an iterative process as the assurances received can be used also to inform and revise the goals set. In the first instance, and we suggest initially at a reasonably high-level, you will need to think about what you need assurance over both in terms of strategic goals and 'business as usual' activities (see Fig 3.2.2 splits out the 'business as usual' risks and assurances).

3.2 STEP 2: METHODOLOGY

There are two methodologies available on which to base the board assurance framework; risk based and process based. As social housing providers have had risk management in place for many years, we concentrate below on the risk-based approach.

Risk based
The risk based approach looks at providing assurance over the key controls in place that mitigate the risks that threaten (or provide opportunity for) achievement of your objectives, and builds on the foundation laid by your current risk management process. This risk based approach is illustrated as a tree of data, with branches expanding to become your identified controls (see Fig 3.2.1).

In taking the risk based approach it is worth asking the question 'does your risk register list all the significant risks that the organisation faces?' One way of helping to answer that question is to consider each of the risks identified and appraise whether they are 'business as usual (BAU)' or 'exceptional' risks, the difference being outlined in Fig 3.2.2.

Fig 3.2.1: Objective, risks and controls tree

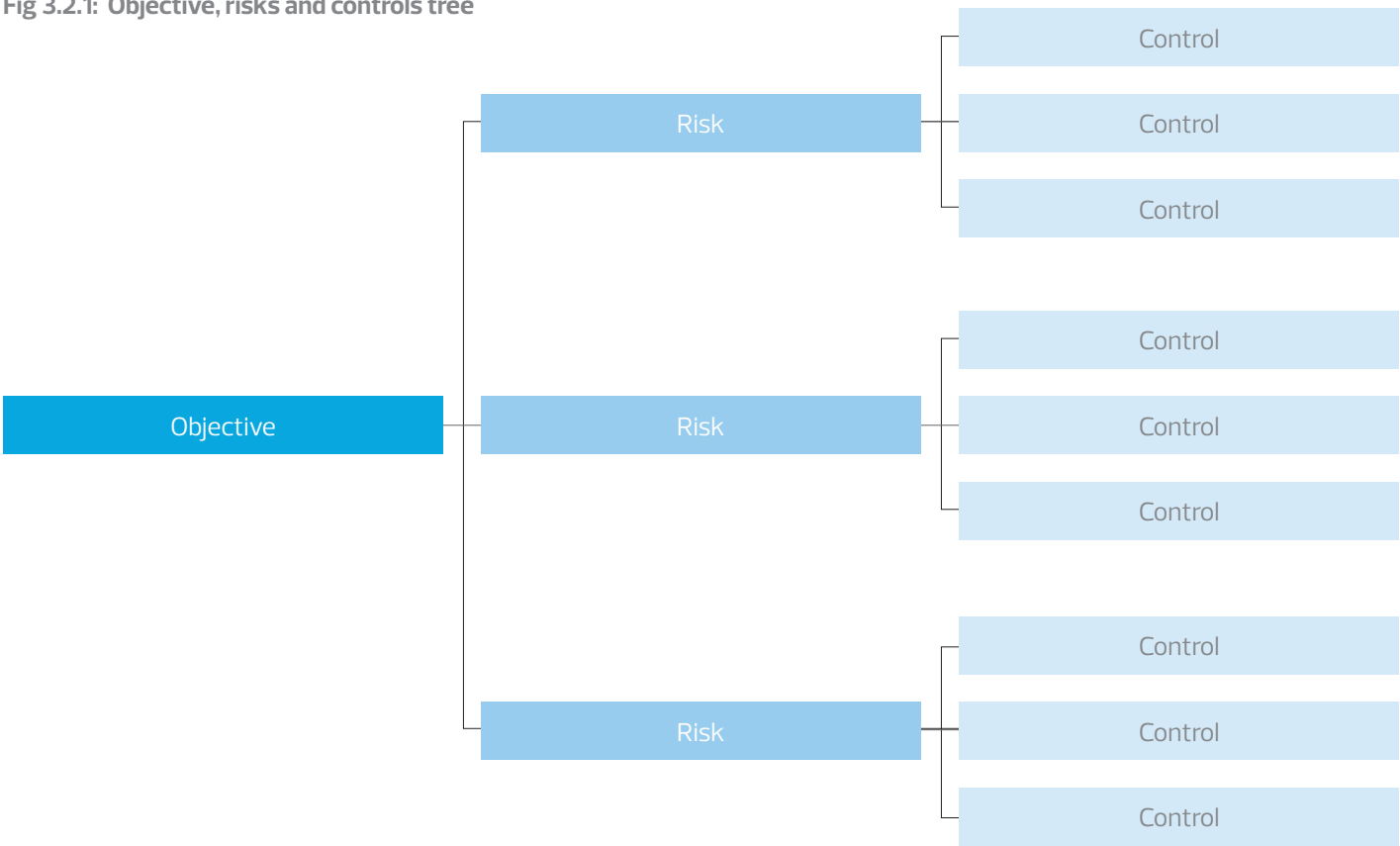
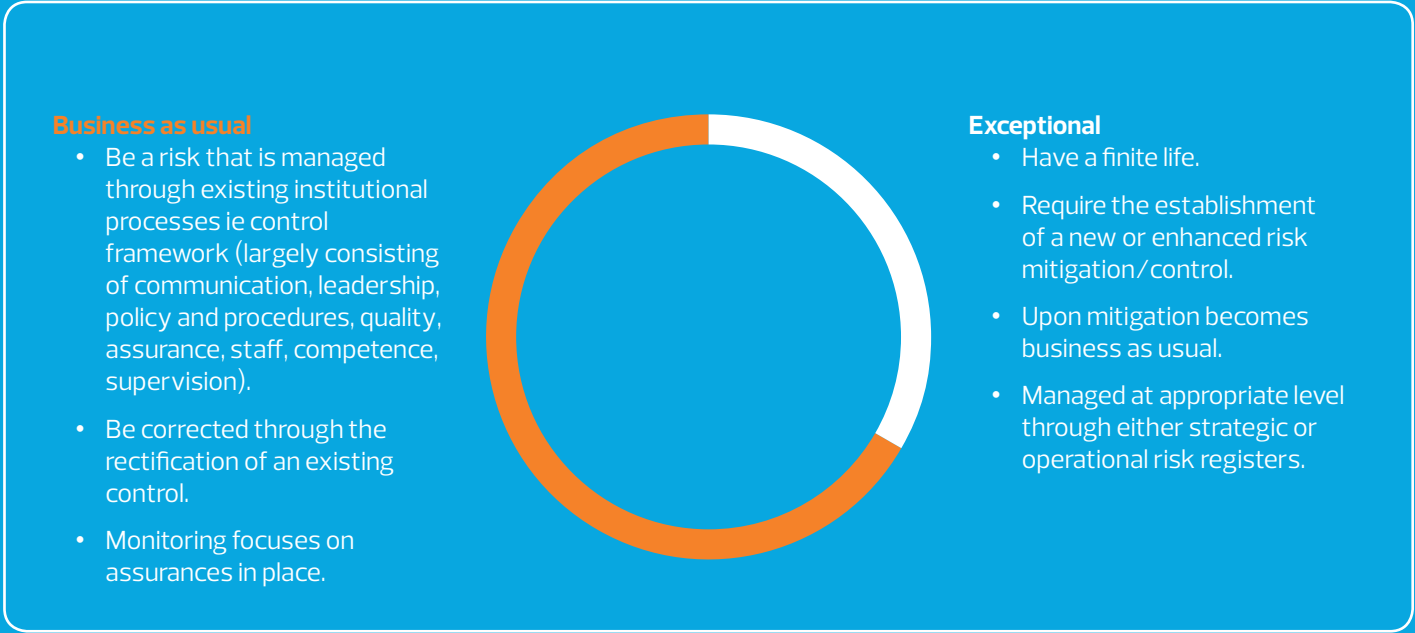


Fig 3.2.2: Business as usual risk versus exceptional risk



Those risks that are BAU typically make up the larger part of the risk profile that a social housing provider needs to manage. They may not be risks that you need to take a specific action on, or in a required timeframe, but are the ones where social housing providers rely on the continuing operation of a sound and established control framework being in place. These BAU risks are as valid to seek assurance over as exceptional ones, but are not always reflected on risk registers. In particular, in times of organisational change, business as usual risks can often get overlooked as management and board members focus on the change(s) at hand.

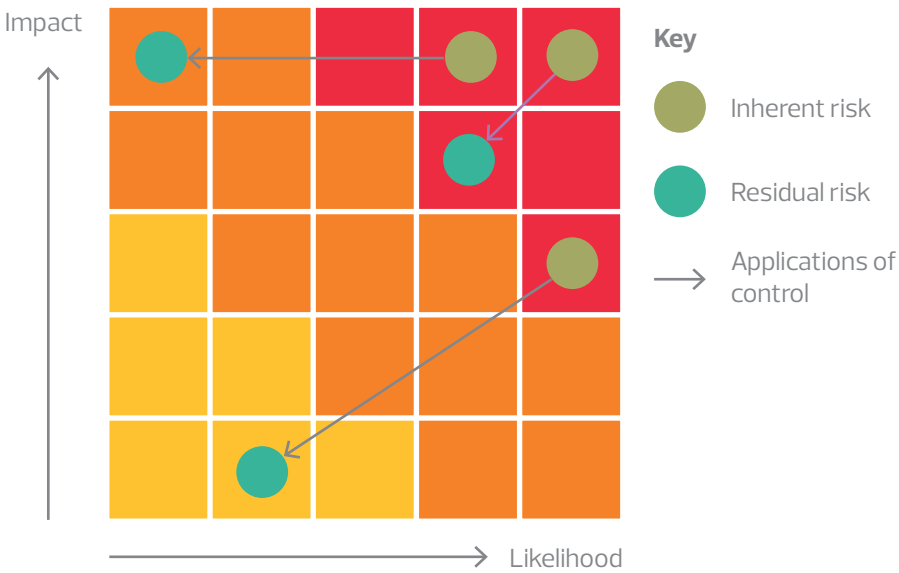
The structure of your risk information should include the following key elements in order to provide a strong foundation for the assurances to be mapped and to assist in prioritising of resources:

- clear and concise risk descriptions;
- risks linked to corporate objectives;
- detailed cause and effect analysis;
- detailed list of key controls;
- 'inherent' (gross) assessment (before controls) and 'residual' (net) assessment (after controls) of the risk; and
- details of planned action and implementation dates.

If you are in a situation where you are satisfied that the risk data that you hold is sufficient then you can start to record the sources of assurances for each of the controls. Before you start mapping assurances for all existing controls it is sensible to prioritise what you focus on, especially as resources are not infinite and the board assurance framework should be seen as adding, not detracting, value.

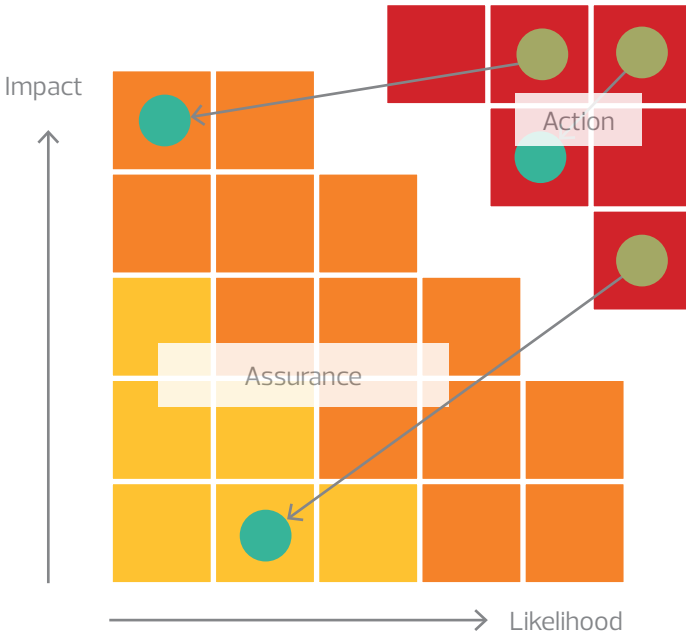
The majority of the risk management frameworks we come across prioritise risks using simple grading structures such as high, medium, low or a RAG rating (red, orange, yellow). This is where the inherent and residual assessments are invaluable as they provide the driver for whether an organisation should seek assurance, or focus attention on taking further action to manage the risk (See Fig 3.2.3).

Fig 3.2.3: Heat map



So what does this heat map tell us in the context of where the board should seek assurances and therefore should be assurance mapping? To help we have split the heat map into two sections, as illustrated in Fig 3.2.4.

Fig 3.2.4: Heat map – Obtain assurance or take action



The Risk Matrix (heat map)
Fig 3.2.3 illustrates the profile of a set of risks. Each risk is represented with a pair of circles. The 'khaki' circle represents the inherent risk classification and the 'green' circle represents the residual risk classification.

What the heat map shows above is that the (residual) risk in the red sector requires the organisation to take action (where possible) to further mitigate the risk. Those (residual) risks that fall within the yellow and orange sectors are those risks that have been mitigated through the application of existing controls. Therefore the focus should be on (1) deciding if the residual risk is now within the organisation's appetite/tolerance for that risk; and then (2) either identifying further action to minimise the risk (if not within risk appetite), or obtaining assurance over the effectiveness of the controls in place (if risk is accepted).

The heat map also highlights that the greater the difference in locations between the Inherent score and the residual score of a risk, the greater the contribution that the existing controls have in mitigating the risk the organisation is exposed to. Therefore, to further prioritise where to seek assurance, you could look at the risks that have moved furthest from the highest inherent score to the lowest residual score.

The inherent and residual risk scores can also help you decide on the frequency that you require assurance, and whether independent assurance is required to provide the governing body with the desired level of comfort. This allows you to identify the assurance appetite of the board. The table below is an example of this in practice.

Table 3.2.5: Risk classification drivers for assurance

INHERENT RISK CLASSIFICATION	RESIDUAL RISK CLASSIFICATION	ACTION AND/OR ASSURANCE ACTIVITIES
High	High	Management attention should be focused on implementing actions to improve existing controls or introduce new ones within an agreed timescale.
	Medium	Sign off of the existing control effectiveness by management and monitor progress of the implementation of further mitigating actions. Independent assurance obtained within the next 6 months.
	Low	Sign off of the existing control effectiveness by management. Independent assurance obtained within the next 6 months.
Medium	Medium	Dependent on the organisation's risk appetite and ability to further influence the risk management attention should be focused on identifying and implementing actions within the next 6 months.
	Low	6 monthly sign off of the existing controls effectiveness by management. Independent assurance obtained within the next 18 months.
Low	Low	No assurance required.

Sources and types of assurance

What sources of assurance are there? Included below are examples of assurance sources that a particular activity, process or control is operating as expected.

Fig: 3.2.6: Examples of sources of assurance

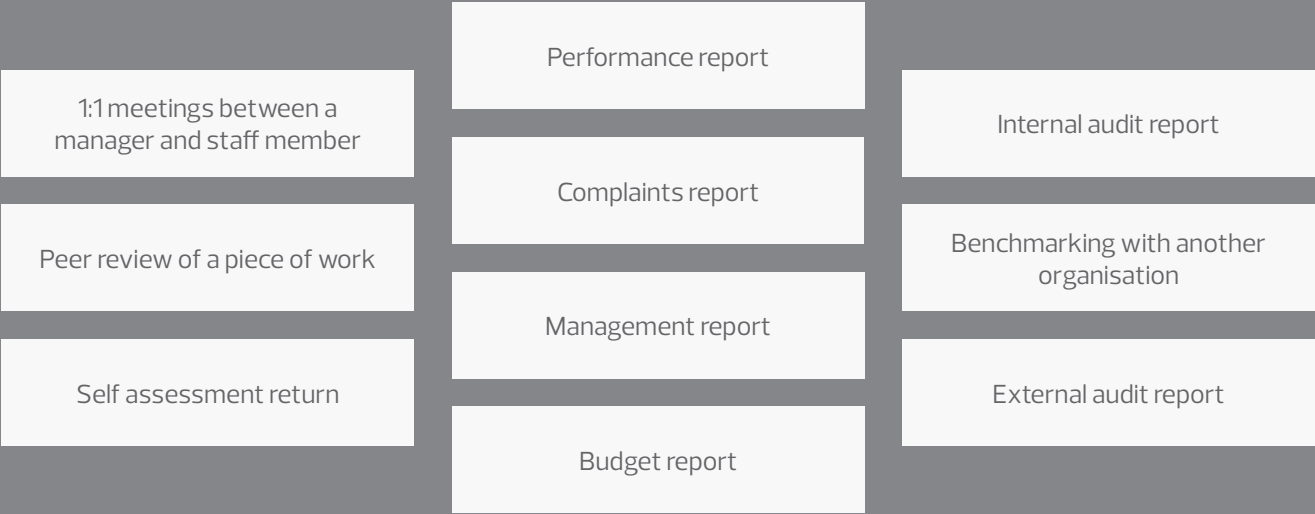


Table 3.2.7 covers some of the different types of assurances that are available and already embedded in to a social housing provider's day to day management.

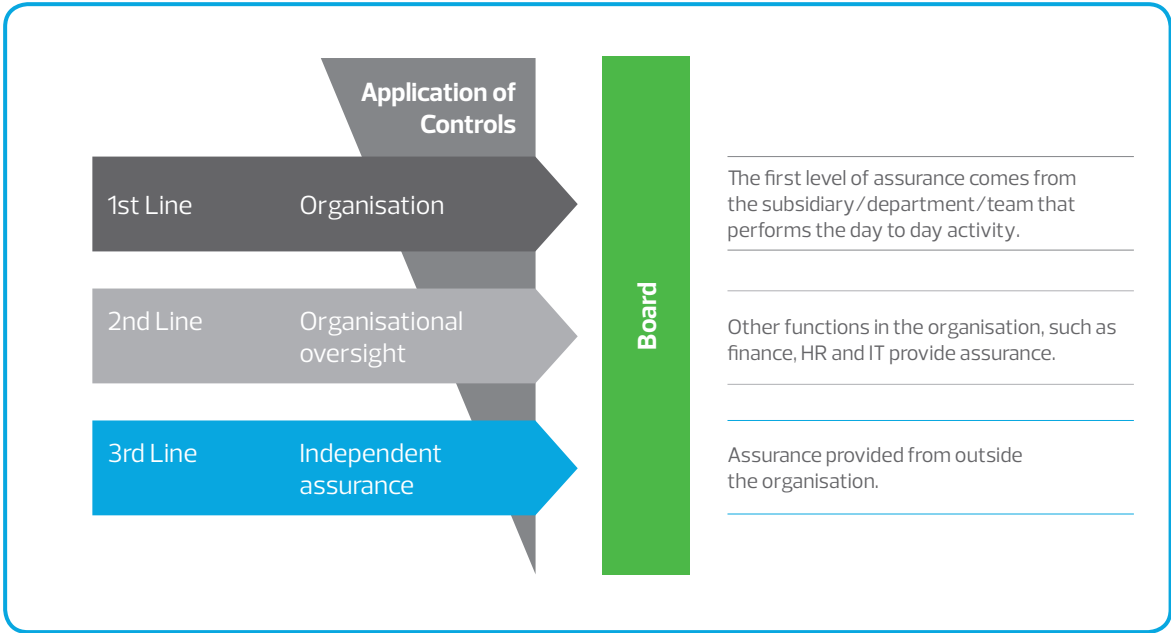
Table 3.2.7: Examples of types of assurance

TYPE	HOW IT PROVIDES ASSURANCE
Meeting/discussion	Often these provide opportunities for management to ask questions about how things are going. The assurance could be based on a person's word or notes of meetings.
Checks (sometimes this can be a review of work or even a walk around a site)	A quality check that something has been completed based on visual or substantive evidence.
Reports	These could be regular reports, such as quarterly performance information or monthly finance reports that provide management information that will indicate how a control may be being applied, based on outcomes.

Most of these will be evidenced (for example meeting minutes, checklists) whilst some may be more informal (such as a 1:1 discussions). Collectively, these are often referred to as the three lines of defence, or three lines of assurance in this context.

First, second and third lines of assurance
The assurances that a social housing provider receives can be broken down into the three line model as illustrated below.

Fig 3.2.8: The three lines of assurance



Control effectiveness
Once you have identified a source of assurance you need to then establish what it is telling you about the effectiveness of the risk(s)/control(s) it covers. The level of control effectiveness at the first and second line may be subjective as it may be provided through a self-assessment approach ie by the person(s) receiving the assurance or responsible for the controls. At the third line, it is common for independent assurance providers to issue a form of opinion (assurance) as to the design, operation and level of effectiveness of the controls reviewed. For each source of assurance that is identified you can then rate what it tells you about the effectiveness of the controls.

Table 3.2.9: Suggested control effectiveness ratings

HIGH	MEDIUM	LOW
Full assurance provided over the effectiveness of controls.	Some assurances in place or controls are still maturing so effectiveness cannot be fully assessed at this moment but should improve.	Assurance indicates poor effectiveness of controls.

3.3 STEP 3: IMPLEMENTATION

Management engagement
It is likely that assurance mapping will involve most members of the senior and middle management teams at some point, and therefore their support and engagement with the process is essential.

A key part of engagement is in the understanding and making assurances real.

In our experience, undertaking a pilot exercise with a small number of risks from your risk register and mapping the assurances already in place over the key controls aids understanding on how the process works and also encourages people to focus, at least initially, just on the key risks.

Identify the roles and responsibilities around assurance
The application of a board assurance framework can be a logical extension to your existing risk management arrangements. Social housing providers already have key defined roles, such as the board, audit committee, senior management teams, operational management, staff etc., and the extension to this is through additional responsibilities of these groups, such as:

- who will be responsible for updating assurance data?
- who will be responsible for producing management information reports based on the assurance data collected?
- who will be responsible for reviewing management information?
- who will be responsible for ensuring appropriate resources are identified for the development, implementation and maintenance of the assurance framework?

Templates and tools
Development of a board assurance framework inevitably means collecting data, so you need to consider how you will record it. The approach discussed at Step 2 above should help you identify the data you need.

There are a number of approaches you can take to identify assurances and complete your assurance map:

- ask individual managers to record all the assurances they rely on;
- conduct a workshop with the management team;
- complete 1:1 sessions with risk owners;
- review internal and external audit reports and any other third party reports to identify the assurances they provide; and
- review internal management, committee and board meetings minutes/agenda.

Clear accountabilities
It has been said time and time again, processes fail where there is no accountability to deliver. Ensuring that accountability lines are clearly defined and communicated to everyone involved, including timescales for implementation and the on-going maintenance of the assurance map, is a key priority.

3.4 STEP 4: MANAGEMENT INFORMATION

With any data collection process, some form of validation is required to ensure the data captured is complete and consistent. Once validated, the data needs to be used to generate meaningful management information. It is likely though that it will take a few iterations to get the information into a format that management, the audit committee and board are satisfied with as providing the right information and in the right format.

Analysis of data
In our experience, there will be an element of data analysis required to produce the information required. Some examples of the analysis required would include:

- assessing the overall control effectiveness based on the RAG ratings provided for the first, second and third lines of assurance (referred to earlier), and then establishing what action is required;
- identifying those controls with no third line assurance; and
- identify those controls where there is a low (red) level of effectiveness identified.

Producing management information
Once you have completed your data analysis you will need to present it in a way that readers and stakeholders will be engaged with it. The following example follows a similar format to that used by many organisations for reporting on risk management. It shows how a risk is mitigated through the internal controls, and then the different sources of assurance that are in place to inform on the effectiveness of those controls.

Fig 3.4.1: Controls assurance report

Risk Ref:	Committee	SO:	Risk description/ risk owner:	Cause and effects:	Inherent risk score	Existing mitigation/ controls:	Assurance/ evidence	Assurance level:	Residual risk score	Planned actions	Progress on action
21	Finance	1, 3, 5	<div>Risk description: Failure to resource adequate funding to meet development commitments</div> <div>Risk owner: Director of Risk Lead: Head of</div> <div>Last updated: 27/01/201X</div> <div>Last reviewed: 27/01/201X</div> <div>Latest Review Comments: Risk updated with new controls and assurances provided.</div>	<div>Cause – Changes in capital markets – Inaccurate forecasting of funding requirements – Financial performance criteria has made us less attractive to lenders</div> <div>Effect – Slow down developments of current plans / future plans – Reputational damage – Customer satisfaction / reduced number of homes</div>	30	<div>Due levels of control between Treasury manager who prepares monthly 3 year cash forecasts that are reviewed by Finance Director</div>	<div>Monthly 3 year cash forecasts reviewed by Finance Director</div>	<div>1st Line</div> <div>Mngt Substantial</div> <div>9/2/1X</div>	15	<div>Develop a commercial strategy and supporting action plan to maximise future income opportunities and providing clear direction to both in-house and external partnerships</div> <div>Action Owner: Head of</div> <div>Imp Date: 30 July 201x</div>	<div>Feb 1X Action underway and data being collected</div> <div>March 1X Meeting taken place to discuss data</div> <div>April 1X Action on target</div>
<div>Monthly income and expenditure accounts and annual budget settings including regular forecast reviews are produced to ensure that financial performance is on track</div>	<div>All key financial reports are reviewed by Finance Director, Exec Team and Board</div>	<div>2nd Line</div> <div>Committee / Board Adequate</div> <div>17/3/1X</div>									
<div>Regular forecasts of available security to charge against new funding source is carried out monthly</div>	<div>All reports produced by Treasury Manager and reviewed by Finance Director and provided to Exec Team and Board</div>	<div>2nd Line</div> <div>Committee / Board Adequate</div> <div>17/1/1X</div>									
<div>Treasury advisors have been appointed to keep us abreast of short and long term changes in the capital markets and also alternative borrowing solutions</div>	<div>Internal Audit of Treasury Management</div>	<div>3rd Line</div> <div>Internal Audit</div> <div>Substantial</div> <div>19/2/1X</div>									

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Below is an illustration of how the control effectiveness assessments from each line of assurance can be aggregated into an overall assessment.

Fig 3.4.2: Illustration of overall assessment of assurance

Area: Human Resources				Activity: Recruitment
Process	1st line	2nd line	3rd line	Overall assurance
DBS checks	HR confirm	Finance check	Internal audit	Review annually
Qualifications	HR confirm	None	None	Monitor /action
References	HR confirm	None	None	Monitor /action
Financial vetting	HR confirm	Finance check	Internal audit	Action required

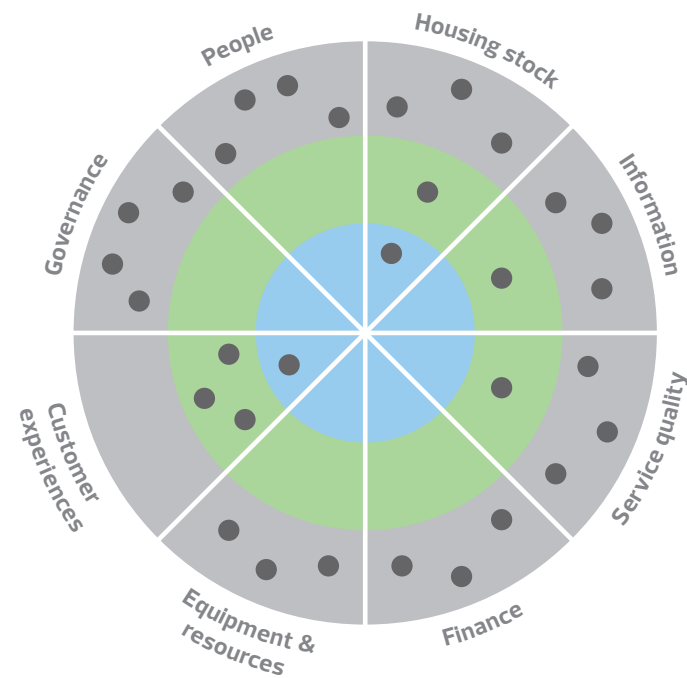
What the above tells us: If we walk through financial vetting, the 1st and 2nd line assurances are indicating that the controls are effective (green), but when the control framework has been reviewed by internal audit some fundamental control weaknesses have been identified (red). The overall control effectiveness has been marked therefore as red and that action is required to improve the controls in place for financial vetting.

If we consider the processes of qualifications and references, there is no 2nd or 3rd line of assurance (none), so overall in this example they have been marked as amber to highlight that the controls need to be monitored more closely and perhaps action taken to introduce further assurance, either at the 2nd line or from an independent source at the 3rd line.

Finally, it appears that assurance is obtained at all three lines for DBS checks and none of them have highlighted any control weaknesses (all green).

Fig 3.4.2 presents the analysis at quite a detailed level; to display this level of information for all organisation activities and process would require a substantial document, which is unlikely to be appropriate for the audit committee or board who will require a concise snap shot.

Fig 3.4.3: Assurance radar



● Represents the control/process

So what does the assurance radar tell us?

Another form of an assurance diagram (Fig 3.4.3) opposite shows the level of assurance over particular controls/process for the core operational activities of a social housing provider. In this example on the assurance radar, 'finance', 'people' and 'equipment and resources' are all grey.

If we look in the centre there are two processes where the overall assurance is light blue (low). One relates to customer experience and the other relates to housing stock. Looking across all of the customer experience processes, it suggests that the organisation may have some more challenging issues with regards to its customer experience arrangements, with no controls deemed effective.

The idea is that this diagram supports reporting by exception and would be underpinned by additional detail for the two weak processes, ie the controls have been identified as not effective.

Updating and on-going monitoring of assurance

As with risk management, managing your assurances through the assurance map is an on-going process. The assurance map, like your risk register, should be a document that is updated throughout the year. To ensure that the process is useful, the frequency with which updates are required should be considered as part of setting your assurance policy, but may also evolve over time with familiarity.

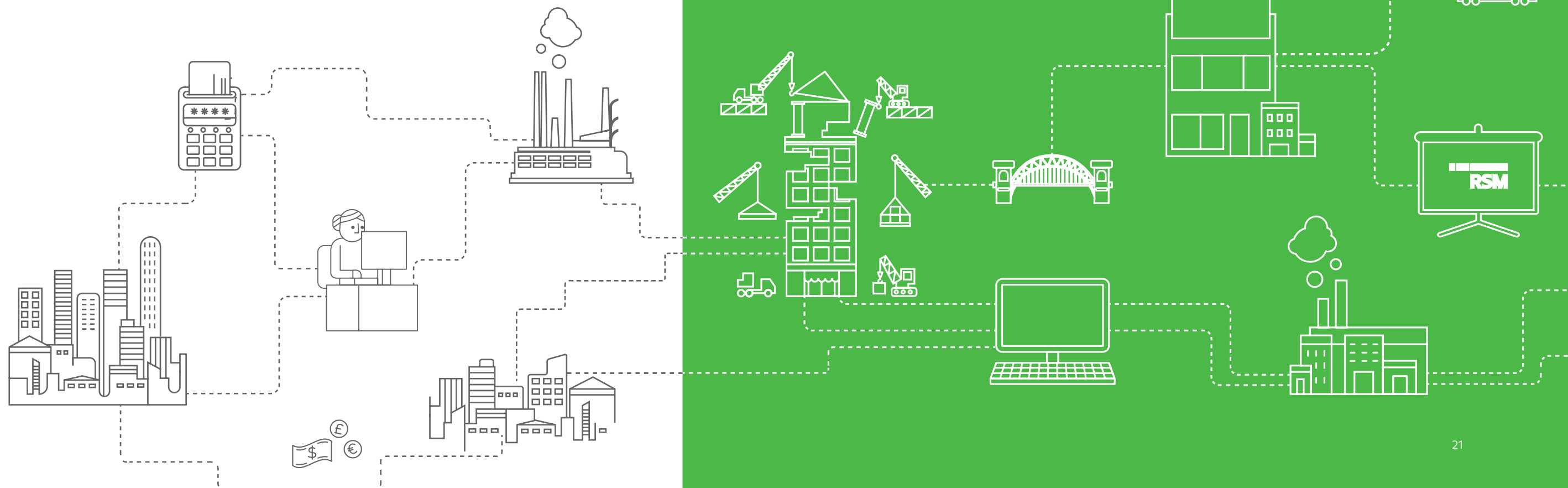
4.0 CONCLUDING COMMENTS

The successful and sustained achievement of your social housing provider's mission and objectives is reliant on robust governance and risk management. This means the board needs to be clear about what it wants to achieve, knows what the measures of success will look like, is open and honest in its dealings and alive to the key risks being faced within and outside of its operating environment, both at strategic and tactical level. For this to be made a reality, the board needs to put in place a suitable assurance framework that provides it with the level of confidence it requires.

The RSM Board Assurance Framework toolkit is designed to help your social housing provider in its thinking with regards the design and application of its board assurance arrangements and how this might be achieved. However, most importantly the board assurance framework will only ever be as effective as the board itself, the way in which it engages and uses the assurance outcomes to inform decision making, or instigate further check, challenge and investigation where concerns exist so that it can firmly say 'we do know what we think we know'.

As further uncertainties and insecurities, as well as opportunities, present themselves in the social housing sector, and the responses become increasingly more innovative and indeed risky, it is crucial that the board ensures that its governance and risk management arrangements are sufficiently robust to cope. Taking a good hard look at how the board and audit committee are assured and that these arrangements are fit for purpose is well worth the time and effort.

The board assurance framework preparedness assessment included as part of this toolkit should provide a good measure of progress being made, as well as highlighting areas that need to be developed further.



APPENDIX 1

Board assurance framework preparedness assessment

We would recommend that all social housing providers assess themselves with regards to their board assurance framework preparedness.

- 1 = Not yet established/fit for purpose.
- 2 = Exist, but further improvement required.
- 3 = Fully effective.

BOARD ASSURANCE FRAMEWORK PREPAREDNESS	ASSESSMENT OF PREPAREDNESS		
	1	2	3
1. The social housing provider's strategic plan objectives are clearly defined and understood?			
2. The social housing provider has a clearly defined approach to the management of risk?			
3. The social housing provider's approach to the management of risk ensures the focus is on those risks that will have a material impact on the achievement of its objectives?			
4. The social housing provider has a clear understanding of risk mitigation, including existing controls and planned actions?			
5. The social housing provider has clearly established risk management reporting and monitoring?			
6. There is commitment to the development of the board assurance framework from the top of the organisation and this is shared throughout?			
7. The social housing provider has established a board assurance policy and plan that is integrated with its risk management and other management arrangements?			
8. There is a clearly defined structure within the organisation that will support the development, establishment and embedding of the board assurance framework?			
9. The social housing provider has clearly defined roles and specified responsibilities in connection with the application and operation of the board assurance framework?			
10. The board assurance framework monitoring and review arrangements have been defined for the purposes of ensuring the right information gets to the right place and people to aid risk management and assurance decision-making?			
11. The board assurance framework produces useful information?			
12. The social housing provider has mechanisms in place to ensure communication of outcomes from the risk management and board assurance framework to inform the organisation of issues arising?			
13. The board is clear about its roles and responsibilities and feels that these are discharged effectively?			
14. At least annually the board undertakes a review of its own effectiveness and this is used to inform a board improvement / development plan?			

APPENDIX 2

4risk

Providing your organisation with the complete picture of its risk, control and assurance profile.

4risk is one of the modules from RSM's Insight4GRC cost effective governance, risk and compliance suite. The software provides management teams with the tools needed to monitor and control performance, assess organisational risks, track assigned actions, enable employee awareness and facilitate company policy, acceptance.

For more information please visit: www.insight4grc.com

Cause and EffectExisting ControlsAction RequiredContingency DetailsAssurance Record

Risk Ref:Assigned on record save.

Risk Title:

Risk Status:Open

Risk Owner:Test User

Select User

Corporate Objective:1. Customer

Risk Area:1. Corporate

Sub Risk Area:

Accept or Manage:Please Select

Risk Level:☐ Top Risk☒ Operational

Project Risk:☒ Project

Cause(s):

Capturing controls and assurances

Create Control Assurance Record

Risk Record: COR 2 - Ineffective communication and engagement with key stakeholders.

Risk Control: Active use of media to promote the organisation current and influencing the regional agenda.

Last Update: 20/01/2015 13:10

Assurance Source:

Assurance Date:

Assurance Type:

Please Select

Assurance Level:

Please Select

Comments:

Attachment 1:

Upload File:

Select

Description:

Edit Risk Control

Risk Record: COR 2 - Ineffective communication and engagement with key stakeholders.

Risk Control: Active use of media to promote the organisation current and influencing the regional agenda.

Control Status: Existing

Control Owner: Duncan Short

Control Owner:

1st Line2nd Line3rd Line

Direct / Line Management

Communications manager weekly press report

4risk

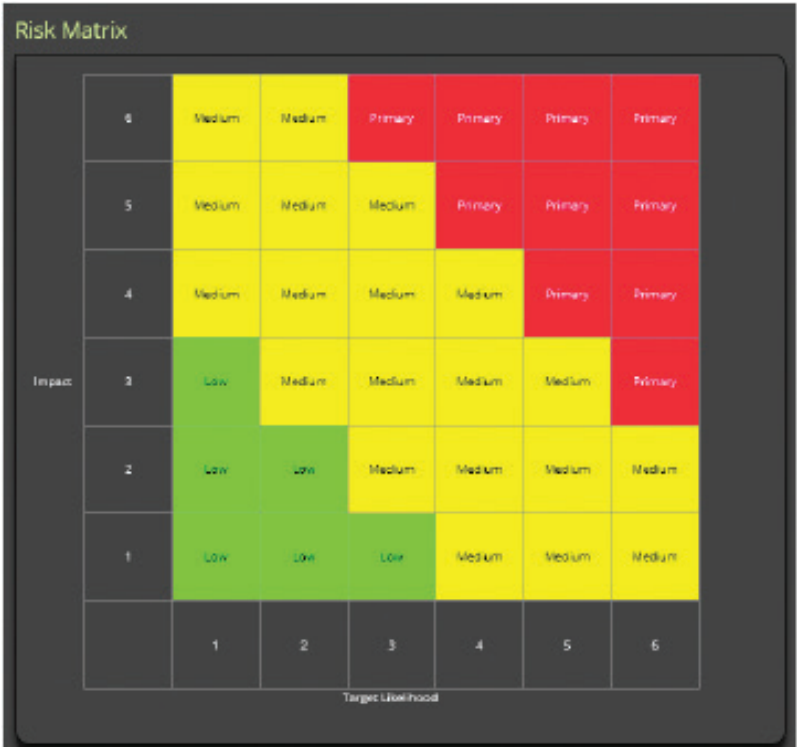
Controls are recorded for each risk.

For each control you have the option to record the assurances in place.

All assurances can be recorded in a single text box or you can separate them into three lines of assurance.

You can rate the effectiveness of controls by adding an assurance record. Each record allows you to RAG rate a controls effectiveness based on the confidence that the assurances give you.

Prioritise the risk



Reviewing controls and assurances

COR 2 - Ineffective communication and engagement with key stakeholders.

Cause and Effect

Existing Controls

Action Required

Assurance Record

History

Control Status: Existing

Risk Control	Assurance Given	Assurance Date	Assurance Level	Assurance Type	
Ability to appeal to regulatory on decisions.	Yes	12/01/2015	Limited	Independent (Audit / 3rd party)	<div>View Details</div>
Ability to legally challenge regulatory decisions made (subject to stakeholder approval).	Yes	14/01/2015	Substantial	Management	<div>View Details</div>
Active use of media to promote the organisation current and influencing the regional agenda.	Yes	16/01/2015	Adequate	Management	<div>View Details</div>
Communications officer in place to maintain consistent communication with our key stakeholders.	Yes	15/01/2015	Limited	Independent (Audit / 3rd party)	<div>View Details</div>
Continued input into the joint working party review of sector specific regulation of state owned entities.	Yes	14/01/2015	Substantial	Independent (Audit / 3rd party)	<div>View Details</div>
Executive Directors maintain established relationships with key stakeholders.	No	N/A	N/A	N/A	<div>View Details</div>
Key Stakeholder Matrix has been developed that identifies who are key stakeholders are and how and when we engage with them.	Yes	15/01/2015	Adequate	Independent (Audit / 3rd party)	<div>View Details</div>
Regular consultation between regulator and the organisation.	Yes	06/01/2015	None	Management	<div>View Details</div>
Relationships created by Executives with individuals / organisations that are involved / participate in the sector.	Yes	14/01/2015	Substantial	Management	<div>View Details</div>
Stakeholder - Sharing of communications had between Executive Directors and Key Stakeholders amongst the EMT.	No	N/A	N/A	N/A	<div>View Details</div>
Stakeholder consultation processes.	No	N/A	N/A	N/A	<div>View Details</div>

Controls are listed in a control table together with their latest assurance rating.

4risk

Assurance Reports: Example 1

Risk Ref:	Committee	SO:	Risk description/ risk owner:	Cause and effects:	Inherent risk score	Existing mitigation/ controls:	Assurance/ evidence	Assurance level:	Residual risk score	Planned actions	Progress on action
			Risk description:	Cause	I = (6) L = (6) RED				I = (5) L = (3) RED		
			Risk owner:								
			Last updated:	Effect							
			Last reviewed:								
			Review Notes:								
			Risk description:	Cause	I = (4) L = (2) AMBER				I = (4) L = (2) AMBER		
			Risk owner:								
			Last updated:	Effect							
			Last reviewed:								
			Review Notes:								

Assurance Reports: Example 2

Board Assurance Framework – October 2012

Risk		Inherent			Controls		Current			Assurance xxxx	Assurance xxxx	Actions		Target		
Ref	Description	C	L	Total			C	L	Total					C	L	Total
4	Lack of xxxx employee health and safety	6	6	Primary	Health & Safety Manager confirms compliance with the law		6	3	Contingency	Health & Safety Manager reports on all activities		Develop Health & Safety politics		2	2	Contingency
					The HR Manager provides the Board with xxxxxxxx					Health & Safety Manager		xxxxxx				
												xxxxxx				

Assurance Reports: Example 3

Board Assurance Framework – October 2012

Objective:		Enable our people to fulfil their potential											
XXXX	Causes	Security Committee		Inherent		Risk Content		Current			Assurance Sourc	Assurance xxxx	Actions
Risk title				I	L	Total		I	L	Total			
Xxxx	Causes:			5	5	Primary		5	5	Contingency	Health & Safety Manager reports on all activities		Develop Health & Safety politics
	Effects:										Health & Safety Manager		xxxxxx
													xxxxxx

ABOUT RSM

RSM is a leading independent firm of chartered accountants and business advisers. We specialise in advising the not for profit sector.

We have over 150 social housing sector clients, ranging from traditional RPs to LSVTs, ALMOs and other specialist housing organisations.

We operate a national social housing group, comprising some 130 people, who advise our housing clients.

Our services include:

- External audit
 - Internal audit
 - Risk management
 - Strategic planning
 - Pensions
 - Business process improvement
 - Social impact and investment
 - Back office benchmarking services
- Corporate finance
 - Technology risk services
 - Corporation tax
 - VAT
 - IT consultancy
 - Board training and facilitation
 - Restructuring and recovery
 - Fraud risk assurance
 - Fraud investigations
 - Debt management

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Insight4GRC

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