

SFC's Assurance Framework

- To provide the Audit and Compliance Committee with a copy of SFC's Assurance Framework.

Recommendations

- Consider the content of the Assurance Framework and the Council executive's assessment.

Financial implications

- There are no direct financial implications arising from this paper.

SFC's Assurance Framework

Purpose

1. To provide the Audit and Compliance Committee with SFC's Assurance Framework.

Background

2. At its meeting on 7 June 2018, the Committee received a paper providing updates to the Scottish Government's Audit and Assurance Committee Handbook and noted that the Handbook suggested in paragraph 4.4 that
"A well-designed assurance framework will help to support the opinion, based on evidence, of the organisation's governance, risk management and internal control framework".
3. The Council executive agreed therefore to develop an Assurance Framework for the organisation.

What is an Assurance Framework?

4. An Assurance Framework is a tool which identifies and assesses the assurance in place for managing major risks to the organisation. In particular, an Assurance Framework should:
 - Provide reliable information on the areas of major strategic risk and the controls in place to manage those risks.
 - Identify the assurance that is being relied upon to assess whether the risks are being managed effectively.
 - Give comfort that controls are working and therefore inform whether risks are being managed effectively.
 - Provide supporting evidence for the production of the annual Governance Statement in the Annual Report and Accounts.
 - Help inform where internal audit effort should be directed.
5. The Scottish Government's Audit and Assurance Committee Handbook recommends that key elements of a framework should include:
 - The strategic outcomes and objectives which the organisation is charged to deliver and the associated risks and control mechanisms.
 - The sources of assurance available.
 - The level of confidence in the assurances.
6. The sources of assurance are defined in three broad categories, the 'three lines of defence':

- **First line:** the way risks are managed and controlled on a day-to-day basis. The assurance comes directly from those responsible for delivering specific objectives or processes; for example, the Strategic Plan, Performance Report etc.
- **Second line:** the oversight of management activity. The assurance provided is separate from those responsible for delivery, but not independent of the management chain, such as risk and compliance functions.
- **Third line:** objective and independent assurance from internal and external bodies; for example, internal audit and external audit, providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and controls.

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7. An early version of the Assurance Framework was brought to the Audit and Compliance Committee at its meeting on 11 December 2018 (ACC/18/29). The Committee agreed that the Framework was a good starting point, but noted that the executive would undertake work to develop it further.
8. Following the publication of SFC's Strategic Framework document last July, the executive have therefore undertaken further work to develop the Assurance Framework. A copy of the current version is attached as an Annex to the document.
9. The Assurance Framework:
 - Is structured around the four core objectives in our Strategic Framework document.
 - Identifies the main areas of risk and the controls in place to mitigate those risks.
 - Identifies the assurance that is used to assess the effectiveness of the controls – using the 'three lines of defence' concept.
 - Provides an assessment of the assurance – in other words: is the assurance sufficient?
 - Describes any actions that are required to improve the evidence and gain further assurance.
 - Provides a link to our programme of internal audit and our internal audit plan for 2020-21 and 2021-22.
10. The Council executive's overall assessment is that there is sufficient assurance in most areas of risk. However, there are a small number of areas where we have identified scope for improvement. These are highlighted in the Assurance Framework document.

Risk assessment

11. There is a risk that SFC is unable to achieve its strategic objectives or major programmes of work because it is not managing its risks effectively. This paper helps to mitigate that risk by providing an Assurance Framework which assesses whether there is sufficient assurance to determine whether key risks are being managed and controlled effectively and propose improvements where needed.

Equality and diversity assessment

12. There are no equality and diversity issues arising from this paper.

Financial implications

13. There are no direct financial implications arising from this paper.

Recommendations

14. The Committee is invited to consider the content of the Assurance Framework and the Council executive's assessment.

Publication

15. This paper will be published on the Council's website.

Further information

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