

ASSURANCE FRAMEWORK

Purpose

This document has been drafted to assist College in developing a robust process to assist the Board in its review of the systems of internal control and to underpin the eventual Board statement on internal controls.

Specifically, the purposes are to:

- initiate consideration of how Board might proceed in its review of the effectiveness of systems of internal control, which is required by the Code of Governance;
- propose a formal upward reporting of assurances where none presently exists;
- provide a framework to underpin the conclusions of Board; and
- ultimately enable Board in making as robust statements as possible.

Introduction

Board may draw assurances on the effectiveness of the College's internal control system both from a range of sources and from various processes in College as set out below.

This should enable Board to have greater confidence in the robustness of its systems, formalise the reporting mechanisms and provide a visible trail to support the Board's conclusions.

Sources of Assurance

The three primary sources of assurance to Board are:-

- The Provost, supported by the Executive Officers' Group, in respect of issues arising across the academic and administrative functions.
- The Board Representatives in respect of issues arising at Principal Committees.
- The Audit Committee in respect of issues arising through its work via Internal and External Audit.

If processes are put in place to channel assurances upward to these primary sources it will enable each of them in turn to provide assurance annually to Board on a formal basis, timed to coincide with the Board's consideration of its annual governance and internal control statements.

A draft pro-forma statement for use by heads of areas, which could be used to provide assurance on internal control and compliance issues, would need to be developed in implementing such a process. Such a pro-forma statement should acknowledge that a system of internal control can only provide reasonable, not absolute, assurance.

The annual consideration by Board of College high-level risks in January appears to be the opportune time to deal with this issue.

In the first instance, the Committee recommends that: -

Board requests the Executive Officers' Group to review this draft document to determine if there are other considerations that can be taken into account so as to refine it further and to develop an appropriate assurance process as outlined below.

It is recommended that on an annual basis:

Board should require its representatives on Principal Committees to assure it formally in a written statement, that all significant items, which may impact on Board's assessment of College's internal controls, have been brought to its attention during the year when the minutes of Principal Committees have been under consideration by Board.

The assurance statement should also cover the period since the last minutes of the Principal Committee were presented to Board.

It is also recommended that on an annual basis:

the Vice-Provost/Chief Academic Officer and the Chief Operating Officer, following consultations with and receipt of assurances from areas within their remit, report annually to the Provost any significant issues of relevance to the Board's assessment of governance and controls.

The Provost should then bring any significant relevant issues to Board's attention.

Such a process already exists for the Audit Committee, which incorporates its assurance on internal controls in its Annual Report to Board.

A diagrammatic view of the sources of assurances is attached at Appendix 1.

Processes of Assurance

The three principal processes in place that generate assurance on controls are set out below. All of these are managed through one or more areas in College and fall within the remit of the sources already identified.

Audit Process

This includes the work of the Audit Committee, Internal Audit function and the External Auditors, including the C&AG. The results of these processes are reported annually to Board.

In addition, other audits take place from time to time, notably in the area of research, the results of which should inform the assurances coming forward from relevant areas as well as the regular control exception reporting to the Finance Committee by the Treasurer's Office.

Governance Process

Restructuring has facilitated co-ordination to Board level through the Vice-Provost/Chief Academic Officer and the Chief Operating Officer, via the Executive Officers' Group and the Provost. This should provide for increased oversight and better upward communication of issues.

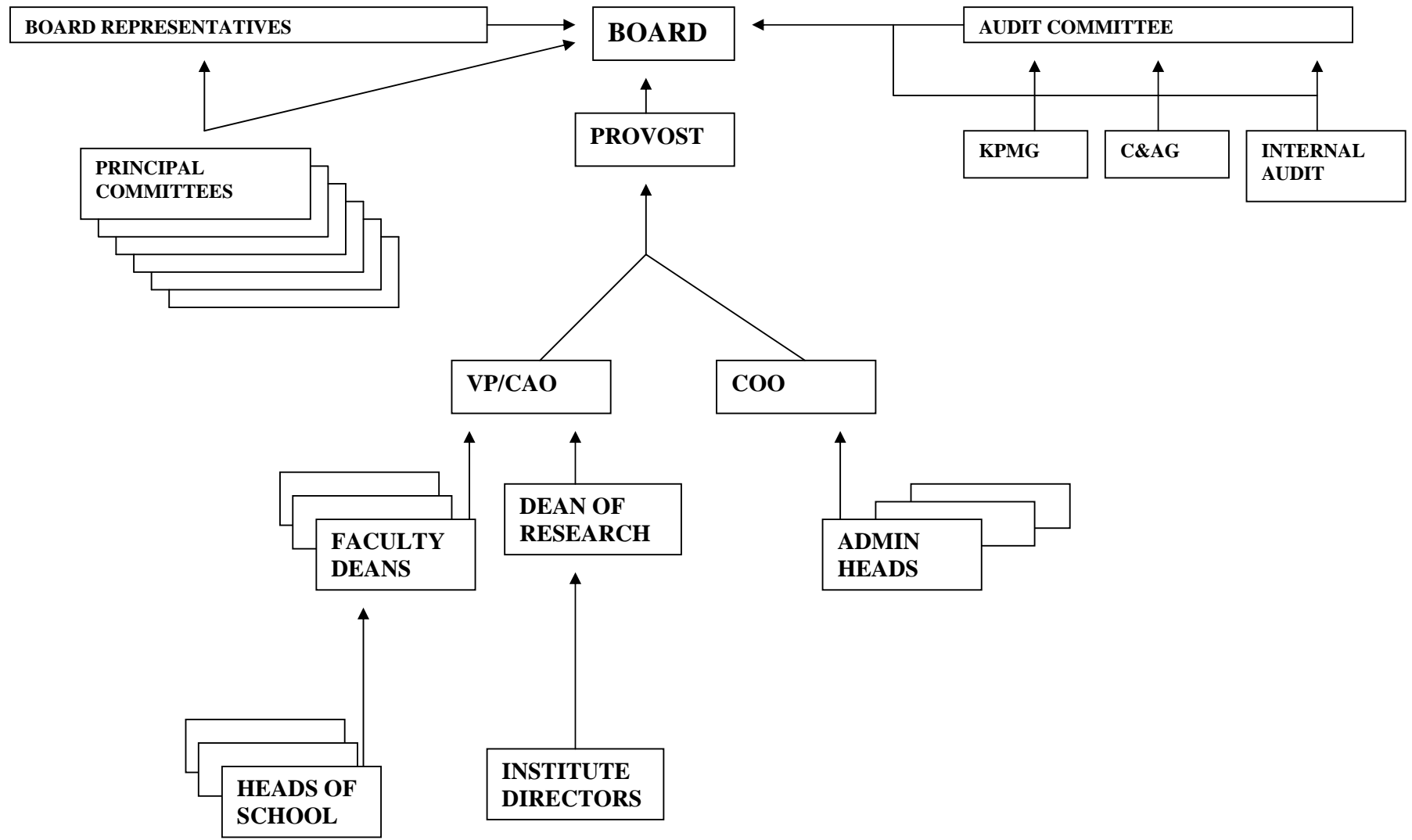
The Principal Committee structure, in which Board representatives play an active role, provides a valuable oversight to Board and information is reported routinely through the circulation of minutes of those Committees to Board and the attendance at Board of its representatives on them.

There is an elaborate system of Sub-Committees and School Committees, dealing with issues at local levels across College, tied into the overall governance structures of College.

The channelling upwards of formal assurances from the Heads of these areas would facilitate greater reliance on the governance systems by Board in making its assessment.

Risk Management Process

Although not yet fully developed and embedded, the current annual reporting to Board on risks and how they are being managed and controlled provides a valuable input to Board in making an assessment of the effectiveness of internal control.



**APPENDIX 1
SOURCES OF ASSURANCES TO BOARD**