

Information Notes Series 2:

Externality for CRBs

Note 2.2

Externality at systems level

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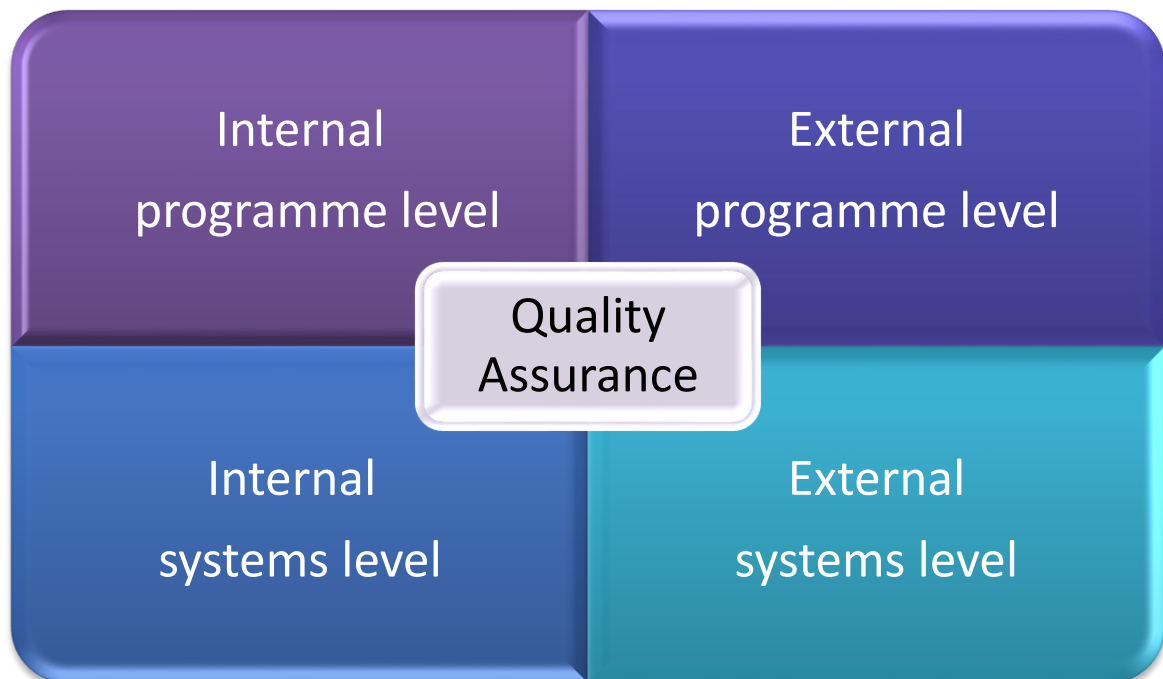
Externality at systems level

November 2020

This information note supplements the principles and guidance within the SCQF Handbook available from www.scqf.org.uk

SCQFP Approved CRBs should also refer to the SCQF Quality Assurance Model (QAM) available from www.scqf.org.uk

This note is the second of two about Externality for CRBs - one discussing externality at programme level and one discussing externality at systems level.



There are internal and external aspects to the quality assurance arrangements noted in the SCQF Handbook and in the Quality Assurance Model for SCQFP Approved Credit Rating Bodies. This note attempts to further explain the external aspects of quality assurance (commonly referred to as 'externality') and to provide some guidance around the types of activities that might be put in place by CRBs to meet the principles.

In the SCQF Handbook externality is included in:

Principle 9

Credit Rating Bodies must establish rigorous and appropriate systems for credit rating, including systems of internal and external quality assurance and arrangements for retention of evidence confirming decisions on level and credit.

It is also included at principles 14 and 15 in relation to working with third parties:

Principle 14

Credit Rating Bodies must ensure that Third Party organisations submit information, and documented evidence of, their assessment processes, including arrangements relating to the internal and external quality assurance of assessment decisions.

Principle 15

The Credit Rating Body must ensure that the Third Party provides details of auditing/quality assurance of their systems including appropriate externality

it is important that as a CRB you understand what externality means for you in terms of setting up the quality assurance system around your credit rating activities. In addition, if you offer or are planning to offer a third party credit rating service it is important that you are clear what you will accept from a third party in terms of what they have in place to demonstrate externality.

There is no prescribed model for quality assurance so what externality looks like for a CRB will differ depending on your organisation's existing systems and structures, the sector you may be in, the types of programmes that you might offer, the other awarding bodies and quality assurance bodies that you may work with.

The information below aims to give you some areas to consider when you are setting up or reviewing your quality assurance arrangements and in particular looks at those that provide an external review for your organisation and its systems.



Externality at systems level

Most CRBs will be subject to external scrutiny from other bodies and agencies such as awarding bodies, funding bodies, regulatory bodies and QA bodies. These may be able to provide evidence about the quality of your systems, however, it is important to note that when the Handbook talks about externality in relation to your SCQF credit rating activities it is not only about having an external review of how your organisation's overall systems, processes and internal quality assurance are operating but also about having an external view of how the systems for your credit rating activities are also operating.

Some of the bodies mentioned above will only look at their own provision or another subset of your provision which might mean that that scrutiny, and importantly any conclusions and subsequent actions, may not have included a review of any credit rated programmes and/or activities. Some may also provide a review of your overall systems and quality assurance arrangements but may not necessarily review your credit rating activities. So it is important to ensure that whatever system for providing externality you decide to implement that it looks specifically at your credit rating activities as well as your overall quality assurance arrangements. You may be able to do this through one arrangement/review activity that looks at everything or you may provide this evidence through a number of arrangements/review activities focussing on different aspects.

In addition, you will want to consider how you will deal with the outcomes of these reviews in order to demonstrate what you are doing in response to any recommendations or actions.

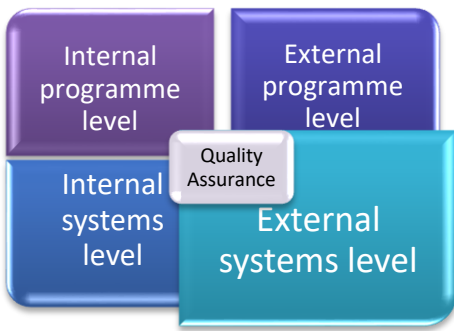
Internally you will have checks in place to determine if your systems are working. These checks will normally be designed to answer the following types of questions:

How do we know that we are doing what we say we are doing?
 Are we following our own systems?
 How do we review the decisions we make?

You may therefore have internal systems in place which may include activities such as self-evaluation activities and reporting, internal audits, quality reviews, departmental reviews etc.

When it comes to establishing an external review of your systems you might want to ask the following questions:

- What external reviews take place in our organisation?
- Do they provide suitable scrutiny of our general quality assurance arrangements?
- Do any of them look at our credit rated provision in addition to those general quality assurance arrangements?
- Could the scope of any of our existing external review bodies be extended to include credit rating activities?
- Do we have a partner organisation that could provide this scrutiny for us?
- Is there a part of our organisation that could provide an independent external scrutiny? (note this could be a committee especially set up to do this with external members or a completely separate auditing arm - however independence would need to be established)
- Do we have a system in place to follow up on the outcomes of this external scrutiny and which provides evidence of responding to recommendations?



External Scrutiny could be provided by:

- Professional body review with an extended scope
- Committee with external and internal membership
- Another Quality Assurance Body with an extended scope
- Another CRB
- A review carried out by an external consultant
- An independent auditing body or arm

Different arrangements will suit different CRBs so there is no one size fits all solution and it will depend very much on the existing external scrutiny already in place and governance structure of your organisation.

The SCQFP also offers workshops on setting up quality assurance arrangements for credit rating and can provide one-to-one support and guidance for CRBs who would like to discuss their existing or future externality arrangements. If you are an organisation thinking of becoming a CRB the SCQFP can also provide advice and guidance. Once you have indicated your interest and start to take forward your application one-to-one support will be provided.