

**Audit, Risk and Governance Committee (ARGC)  
Terms of Reference**

**1. Title and Constitution of Committee**

The Governance and Audit Committee (the Committee) is established by the Board of NHSBT as a non-executive committee of the Board with powers and responsibilities delegated to it within the NHSBT Standing Orders and these Terms of Reference.

**2. Purpose of Committee and Scope**

The Committee is responsible for ensuring the establishment and maintenance of an effective system of governance, risk management and internal control, across the whole of the organisation's activities (clinical, quality management / compliance, financial and operational), that supports the achievement of the organisation's objectives.

**3. Role and Responsibilities of Committee**

**3.1. Risk Management**

The Audit Risk and Governance Committee has fundamental responsibility for ensuring that adequate systems are in place for the identification and management of risks. This committee is responsible for reviewing risks, seeking evidence of the effectiveness of risk mitigation and making recommendations to the Board on acceptable levels of risk:

3.2 The Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Governance Statement and declarations of compliance with the Health and Social Care Act 2012), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- directorate risk management arrangements through the process of Directors presenting their Strategic risks and how these are being managed. This will be managed on an annual basis through an agreed Committee Risk Management Calendar
- the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of strategic and clinical risks and the appropriateness of the above disclosure statements
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements
- the policies and procedures for all work related to fraud, Bribery and corruption as set out in the Secretary of State Directions and as required by the Counter Fraud and Security Management Service
- The committee will ensure that the Internal audit programme is informed by the risk agenda

3.3 In carrying out this work, the Committee will primarily utilise the work of Internal Audit, External Audit, Clinical Audit and if applicable other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from Directors and managers as appropriate.

#### **4. Audit**

##### **4.1. Internal Audit**

The Committee will ensure that there is an effective internal audit function that meets mandatory Government and NHS Internal Audit Standards and provides appropriate independent assurance to the Committee, Chief Executive and Board. This will be achieved by:

- Consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal
- Review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation
- Consideration of the major findings of internal audit work, the effectiveness of management's response and the timeliness of follow up actions
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation, including direct access to the board chair and the committee chair thus providing independence from the executive and accountability to the committee.
- Annual review of the effectiveness of Internal Audit

##### **4.2. External Audit**

The Controller and Auditor General, Head of the National Audit Office (NAO) is appointed by Parliament as the External Auditors of NHSBT. The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the performance of the External Auditor/outsourced partner organisation. If an external auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required.
- Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure co-ordination, as appropriate, with other External Bodies within the Healthcare system
- Approve the terms of engagement, including any engagement letter issued if mandated by a change in auditing standards or for instance a new Accounting Officer.
- Approve the remuneration, for both audit and non-audit services of any outsourced partner and ensure level of fees is appropriate to enable an effective and high-quality audit to be conducted.

- Discussion with the External Auditors of their local evaluation of audit risks and assessment of NHS BT and associated impact on the audit fee
- Review of all External Audit reports

## **5. Governance**

### **5.1. Clinical Governance**

The Governance and Audit Committee will seek assurance from the Clinical Audit, Risk and Effectiveness (CARE). The CARE committee will provide an annual report to the Committee on the clinical audit function covering the key findings from the programme of audits, the proposed plan for the subsequent year and CARE committee activity against its terms of reference.

### **5.2. Other Assurance Functions**

The Committee will review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators / Inspectors (e.g. Care Quality Commission, MHRA, HTA, NHS Resolution etc.); professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

**5.3.** In addition, the Committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Committee's own scope of work, such as the Risk Management Committee and the Transformation Programme Board.

### **5.4. Management**

The Committee will request and review reports and positive assurances from Directors and managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation, as they may be appropriate to the overall arrangements.

### **5.5. Financial Reporting**

The Committee is responsible to reviewing and making recommendations to The Board and CEO on NHSBT's Annual Report and Financial Statements including:

- The narrative and commentary including that of the Governance Statement in particular and any other disclosures
- The clarity and completeness of disclosures in the statements and the context in which statements are made.
- Methods used to account for significant or unusual transactions.
- Changes in, and compliance with, accounting policies and practices and the appropriateness of these

- The report and opinion of the External Auditors including unadjusted misstatements in the financial statements. major judgmental areas and significant adjustments resulting from the audit
  - Its consistency with the narrative and financial information that have been presented to the Board within the NHSBT management accounts during the course of the financial year.
- 5.6.** The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.
- 5.7.** Where the committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the board.

## **6. Reporting Relationship**

- 6.1.** The Minutes of the Committee meetings will be formally recorded and submitted to the Board, including recording the names of those in attendance. The Chair of the Committee will draw to the attention of the Board any issues that require disclosure to the full Board or require Executive action.
- 6.2.** The Committee will report to the Board annually on its work in support of the Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embedding of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Essential Standards of Quality and Safety.
- 6.3.** The committee shall compile a report on its activities to be included in NHSBT's annual report
- 6.4.** The Committee will receive and consider minutes and reports from relevant management meetings and groups in order to discharge its duties effectively, these include:
- CARE Committee (Minutes and Annual Report)
  - Risk Management Committee (Minutes and Annual Report)
  - Health and Safety (Half year and Annual Reports)
  - Quality and Regulatory Performance (Quarterly Reports)
  - Transformation Programme Board

## **7. Chair**

The Board will appoint the Chair of the Committee from the Non-Executive directors of the Authority, excluding the Chairman of the organisation.

## **8. Composition, Membership, Attendance and Quorum of Committee**

- 8.1.** The Committee members will be appointed by the Board from the Non-Executive directors of the Authority, excluding the Chairman of the organisation. In absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

**8.2.** There will be no fewer than three members and a quorum shall be two members.  
Those members are:

- Piers White (Chair of the Committee)
- Professor Deirdre Kelly
- Jeremy Monroe.

**8.3.** Representatives of organisations providing audit functions will be in regular attendance.

**8.4.** Representatives of the Department of Health and Social Care sponsor team may choose to attend.

**8.5.** NHSBT officers in regular attendance will be:

- Finance Director
- Medical and Research Director
- Director of Quality
- Assistant Director - Governance and Resilience

**8.6.** Other Directors and Senior Managers will also attend to support the agenda of the Committee.

**8.7.** Representative from external and internal audit shall be present at the committee.

## **9. Frequency, conduct and proceedings of meetings**

**9.1** Meetings shall be held not less than three times a year at appropriate intervals in the financial reporting and audit cycle.. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

**9.2** Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members, or at the request of the external audit lead partner or head of internal audit if they consider it necessary

## **10. Declaration of interests**

Members and attendees will be invited to declare any interests they might have in any issue arising at the meeting which might conflict with the business of the organisation.

## **11. Performance Review**

The Committee will annually review its performance, evaluate any support or development needs, and review these Terms of Reference and recommend any changes to the Board.

## **12. Responsible senior executive**

The lead Director providing support to the Committee is the Finance Director.

### **13. Secretariat**

The Central Secretariat overseen by the Company Secretary will provide administrative secretariat support. Duties of the secretariat will include:

- Agreement of agenda with Chairman and attendees
- Collation and distribution of papers for meetings
- Drafting of minutes for agreement by Chairman and attendees
- Advising the Committee on pertinent areas and briefing the Chairman as appropriate

### **14. Dates of Revisions**

Agreed: January 2006

Reviewed: June 2007

Revised July 2008

Revised October 2008

Revised July 2010

Revised September 2011

Revised December 2012

Revised February 2014

Revised February 2015

Revised November 2016

Revised November 2018

Reformatted March 2020