



Blood and Transplant

AUDIT, RISK AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

1. Title and Constitution of Committee

The Governance and Audit Committee (the Committee) is established by the Board of NHSBT in compliance with Treasury Guidance¹ 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 purpose of the Committee is to support the Board and Accounting Officer by reviewing assurances on governance, risk management and the control environment to ensure that they are comprehensive and reliable. The Committee will also review and assess the integrity of financial statements and the annual report². The Committee is responsible for providing assurance of an effective system of corporate governance, risk management and internal control, across the whole of the organisation's activities.³ The scope of the Committee encompasses all the assurance needs of the Board and Accounting Officer⁴

3. Role and Responsibilities of Committee

3.1. Risk Management

The Audit Risk and Governance Committee has oversight of the systems that are in place for the identification and management of risks. This committee can discharge this oversight by 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

¹ Treasury guidance applies to NHSBT as an Arms' Length Body of the Department of Health and Social Care and specifically relates to "Corporate governance in central government departments: code of good practice", which states under the section "This Code" that "In addition to central government departments, the principles in the code generally hold across other parts of central government, including departments' arm's length bodies (ALBs)". Under the section "Composition and Remit" guidance states that "As a minimum, there should be committees responsible for audit and risk assurance".

² HM Treasury Audit and risk assurance committee handbook 2016, Chapter 2, Principle 3: The role of the Audit and Risk Assurance Committee

³ Clinical Governance and related issues will be within the scope of the Clinical Governance Committee

⁴ HM Treasury Audit and risk assurance committee handbook 2016, Chapter 2, Principle 4: Scope of work

Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board

- directorate risk management arrangements. This may be through risk owners presenting risk information, by review of horizon scanning mechanisms or any other mechanism decided by the committee. Where possible this will be managed by planning an organisational review over an annual cycle through an agreed Committee Risk Management Calendar but may be by exception as circumstances dictate.
- the underlying assurances that support corporate objectives, statutory compliance, regulatory compliance, government mandate (via DHSC or other Government Department) and organisational policy.
- The committee will ensure that the Internal audit programme is informed by organisational risk.

4. Audit

4.1. Internal Audit

The NHSBT Board is responsible for ensuring that there is an effective internal audit function that operates to Public Sector Internal Audit Standards. This function is delegated to the Audit, Risk and Governance Committee.

The Audit, Risk and Governance Committee shall have particular engagement with the work of internal audit. This will be achieved by:

- 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 Comptroller 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 Audit, Risk and Governance Committee will seek assurance in the form of an Annual Report from the Clinical Governance Committee, which will include a report of work undertaken, providing positive assurance that clinical governance mechanisms are in place and effective, that regulatory compliance for licenced and regulated activity is in place and effective, meeting the terms of reference for the committee and supporting the annual Governance Statement. This annual report should cover key findings from the programme of audits and the proposed plan for the subsequent year.

5.2. People Committee

The Audit, Governance and Risk Committee will seek assurance in the form of an Annual Report from the People Committee, which will include a report of work undertaken, providing positive assurance that people management mechanisms are in place and effective, meeting the terms of reference for the committee and supporting the annual Governance Statement.

5.3. Board Assurance Framework and Assurance Map

The Audit Risk and Governance Committee will receive regular reports on the Board Assurance Framework, which will include reporting on risks rated as outside risk tolerance and other issues of concern raised by the Chief Risk Officer.

The Audit Risk and Governance Committee will receive regular reports on the Assurance Map. This will include reporting on legal and other mandatory compliance by exception, any risks against compliance and any issues of concern raised by General Counsel.

5.4. Risk Management Committee

The Audit Risk and Governance Committee will receive and consider an annual report from the Risk Management Committee (RMC) which will include compliance with RMC Terms of Reference, findings from audits internal or external to the organisation, compliance with applied standards and performance during the year. In addition, a report will be provided to the Audit Risk and Governance Committee of every RMC meeting.

5.5. Information Governance Committee

The Audit Risk and Governance Committee will receive and consider an annual report from the Information Governance Committee (IGC) which will include compliance with IGC Terms of Reference, findings from audits internal

or external to the organisation, compliance with applied standards and performance during the year.

5.6. External Assurance Functions

The Committee will review the findings of external assurance functions 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.).

5.7. 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.

5.8. 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.

In addition, the Committee will

- Review the financial performance of NHSBT and its constituent Divisions/Businesses.
- Review the development of the budget and subsequent performance against the budget.
- Review and scrutinise the Divisional five-year plans and flag to the Board any concerns with regard to funding gaps and/or pricing strategies.
- Review the performance indicators.

5.9. The Committee shall 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.

- 5.10. 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:
- Risk Management Committee (Minutes and Annual Report)
 - Health and Safety (Half year and Annual Reports)
 - Information Governance Committee (Minutes and Annual Report)
- 6.5. The Committee will receive the Management Quality Report for assurance that the Quality Management System is providing sufficient coverage and control. The Management Quality Report will be presented to the Clinical Governance Committee for discussion and approval prior to submission to 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. There will be no Executive members of the committee. In absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of the Non-Executive Board members to chair the meeting.
- 8.2. There will be no fewer than three Non-Executive Board members and up to two Non-Executive Committee Members and a quorum shall be two Non-Executive Board members.
- 8.3. Representatives of organisations providing Internal and External 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 Executive officers in regular attendance will be:

- Chief Executive Officer
- Finance Director
- Director of Quality
- Director of Nursing
- Assistant Director - Governance and Resilience (as Chief Risk Officer)
- ~~General Counsel~~ / Company Secretary
- SIRO

8.6. Other Directors and Senior Managers will also attend as required to support the agenda of 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~~ Monitoring Effectiveness

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~~ review its effectiveness including its terms of reference and work programme annually. The results of the effectiveness review and Terms of Reference review will be reported 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.

Terms of Reference
for the Audit, Risk and Governance Committee
January 202~~4~~³

14. Dates of Revisions

~~Revised March 2021 (membership change)~~

~~Reformatted March 2020~~

~~Revised November 2018~~

~~Revised November 2016~~

~~Revised February 2015~~

~~Revised February 2014~~

~~Revised December 2012~~

~~Revised September 2011~~

~~Revised July 2010~~

~~Revised October 2008~~

~~Revised July 2008~~

~~Reviewed: June 2007~~

~~Agreed: January 2006~~

Approved	NHSBT Board on 31 January 2023 <u>(to be inserted)</u>
Review due	January December 2023 ⁵ (or earlier if required)