

Board Meeting in Public Tuesday, 26 March 2024

Title of Report	Audit, Risk and Governance Committee Effectiveness Review Report	Agenda No.	5.4.2
Nature of Report (tick one)	<input checked="" type="checkbox"/> Official	<input type="checkbox"/> Official Sensitive	
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Non-Executive Director Sponsor (if applicable)	Piers White, Chair of Audit, Risk and Governance Committee		
Presented for (tick all that applies)	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Information <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Update		
Purpose of the report and key issues			
<p>This report presents the findings of an internal effectiveness review of the Audit, Risk and Governance Committee (ARGC) for the year to November 2023.</p> <p>11 individuals completed a pre-circulated questionnaire which was approved by the committee. The committee at its meeting on 11 January 2024 reviewed the outcomes of its effectiveness review, together with its delegations as per its terms of reference and collectively agreed what actions should be taken, including areas of prioritisation and timescales for delivery. Following this meeting, the Chair of the committee drafted report for committee members to agree the actions and timescales. This report is presented in appendix 1.</p> <p>At its meeting on 14 March 2024, the committee approved an action plan that was developed in response to the gaps identified in the delegations from the Board. This plan is presented in appendix 2.</p> <p>Key issues: The Board's attention is particularly drawn to the final paragraph of Appendix 1: <i>Items for Board consideration when reviewing the ARGC Terms of Reference</i>, and the need for the Board to consider and decide on the three items that have previously been determined by the Board to be outside the scope of ARGC when the Finance Committee was closed. The three items are: finances; programmes of change; and procurement risks. A reassessment is required on the current executive risk evaluation on the fourth item - sustainability and climate change risks.</p>			
Previously Considered by			
The ARGC discussed the findings of the report at its meeting on 11 January 2024 and further discussed the action plan at its meeting on 14 March 2024..			
Recommendation	The Board is asked to note the outcomes of the effectiveness review of the Audit, Risk and Governance Committee and the Delegations Review action plan.		

Risk(s) identified (Link to Board Assurance Framework Risks)	
Linked to Regulatory Compliance risk (BAF-09).	
Strategic Objective(s) this paper relates to: [Click on all that applies]	
<input checked="" type="checkbox"/> Collaborate with partners <input checked="" type="checkbox"/> Invest in people and culture <input checked="" type="checkbox"/> Drive innovation <input checked="" type="checkbox"/> Modernise our operations <input checked="" type="checkbox"/> Grow and diversify our donor base	
Appendices:	Appendix 1 - ARGC Chair's report to committee members Appendix 2 - ARGC Delegations Review Action Plan Appendix 3 - Analysis of the ARGC's effectiveness review by section (available in the Document Library on Convene).

1. Background

Just as the board should undertake a review of its own effectiveness, committees of the board should also undertake a yearly review of their own effectiveness.

The audit committee should regularly assess its own performance – and the adequacy of its terms of reference, work plans, forums of discussion and communication, with a view to highlighting skills and/or knowledge gaps and identifying areas in which the committee and its processes might be more effective.

The Audit, Risk and Governance Committee (ARGC) at its meeting on 16 November 2023 approved the proposal to assess the ARGC's effectiveness using the National Audit Office (NAO) Audit and Risk Assurance Committee (ARAC) effectiveness tool Good Practice Guide.

The tool serves as a guide for all public sector organisations and provides a way for ARGC to assess its effectiveness against more than just the basic requirements; it provides aspects of good practice to give greater confidence and opportunity to meet the requirements of their role.

2. Review Process

A self-assessment questionnaire adapted from the NAO's ARAC effectiveness tool was circulated to members and regular attendees of the committee together with guidance notes. 11 completed questionnaires were received - this includes two individuals who were a member and regular attendee of the committee for part of the period under review.

For the purpose of this report, members refer to all individuals who completed the questionnaire.

The questionnaire examined six parts, with sub-sections for each part as follows:

1. Part One: Membership, independence, objectivity and understanding
 - 1.1 Membership, independence and objectivity
 - 1.2 Making the most of your time
2. Part Two: Skills and experience
 - 2.1 Range of skills
 - 2.2 Training and development
 - 2.3 Other Skills (Cyber and digital; Climate change and ESG; Projects and programmes; and Procurement).
3. Part Three: Roles and responsibilities
 - 3.1 Assurance
 - 3.2 Governance
 - 3.3 Risk Management
 - 3.4 Internal Control
 - 3.5 Financial reporting
4. Part Four: Scope
 - 4.1 Terms of reference
 - 4.2 Internal audit
 - 4.3 External audit
5. Part Five: Communication and reporting
6. Part Six: Continual Improvement

Members were asked to select from three ratings with the representative scores in bracket:

1. **Room for improvement** (1) - The committee is falling short of requirements and should consider how it can work towards becoming more effective in this area.

2. **Meeting standards** (2) - The committee is performing to the required standard in this area. There may be room for improvement, but the ARGC can be seen to be discharging its responsibilities effectively.
3. **Excelling** (3) - This is an area where the ARGC is performing beyond the standard expectations and is a real area of strength when it comes to exercising its responsibilities.

Questions were categorised as essentials and good practice, except for part six: continuous improvement. Essentials are those questions that reflect guidance set out in the body of the HM Treasury ARAC Handbook, whilst good practice are those questions that go beyond basic requirements and set a standard for ARACs to demonstrate leading behaviours.

Each area of the effectiveness tool allowed space for comments and members were encouraged to provide greater insight rather than simply pointing out what could be improved. This provides an important opportunity to expand on any considerations relating to that section of the effectiveness tool and to highlight any concerns about the ARGC's performance.

The completed questionnaires submitted have been analysed to draw conclusions and propose recommendations.

Section three contains a summary of the findings from the review.

3. Summary of Analysis

This section provides a summary of the analyses for the six parts examined.

The NAO's tool analyser was used for some of the analysis.

Graphs 1 and 2 below show an overview of responses by section, whilst graph 3 shows an overview of responses by sub-section.

Overall, only the membership section was scored as meeting the standards, with a score of 2.1. Communication and reporting fell slightly below the standards, with a score of 1.9.

Skills and experience and continual improvement scored the least.

For skills and experience, the committee scored low for not having a sufficiently diverse membership, containing a variety of demographic attributes and characteristics, and documenting and mapping the skills of its members so it can identify areas of strength and any skills gaps. Likewise for training and development, it was felt that the ARGC's strategy for training and development, should take account of developments in corporate governance and emerging risk areas requires improvement. Furthermore, improvement was required to upskill members of the ARGC who are unfamiliar with corporate governance, the operations of government and the public sector, and wider practice in government.

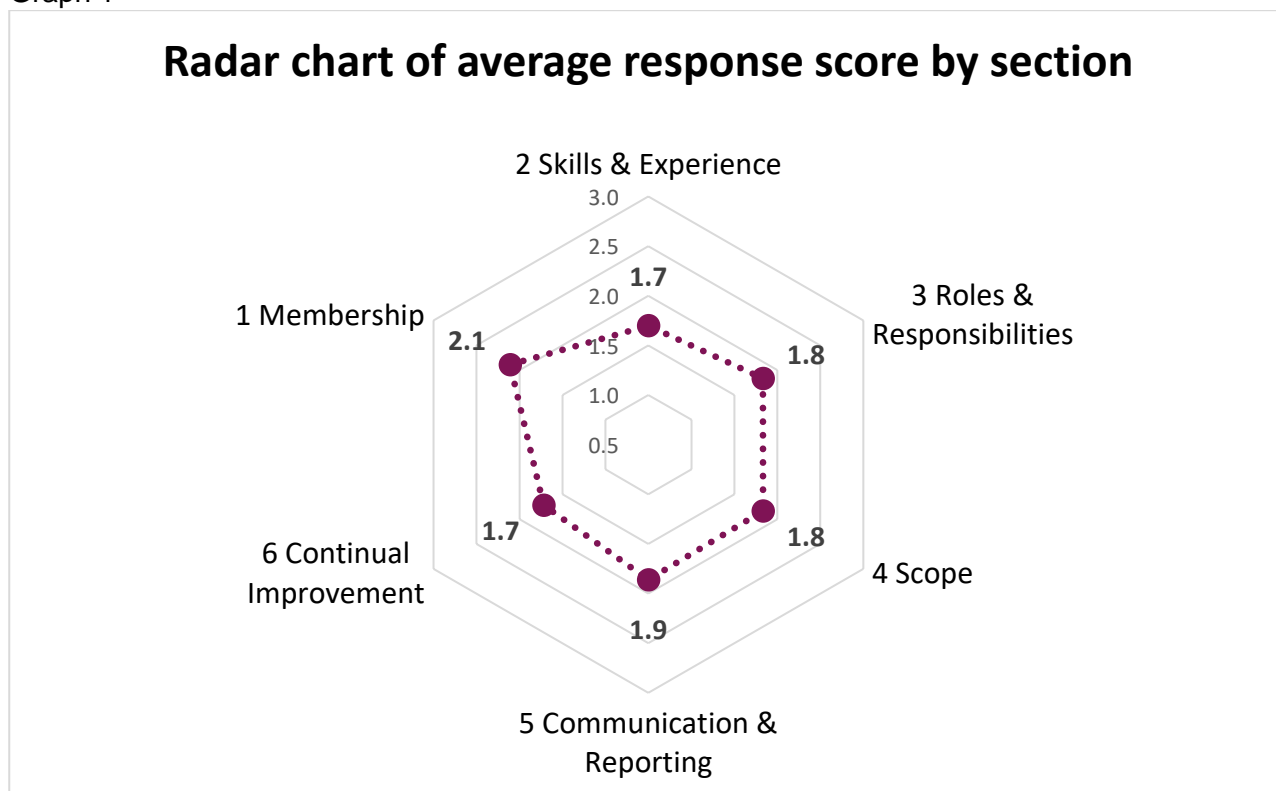
An in-depth analysis of each section with average response score by member and distribution of responses by member together with comments provided for each sub-section is presented in appendix 2. All comments have been anonymised.

It should be noted when reviewing the report, that some individuals did not respond where they believe their input will lack expertise or they do not know all the detail. The tables in appendix 2 which records the aggregated scores per question show that not all questions were completed - where this is the case, the numbers will not add up to 11.

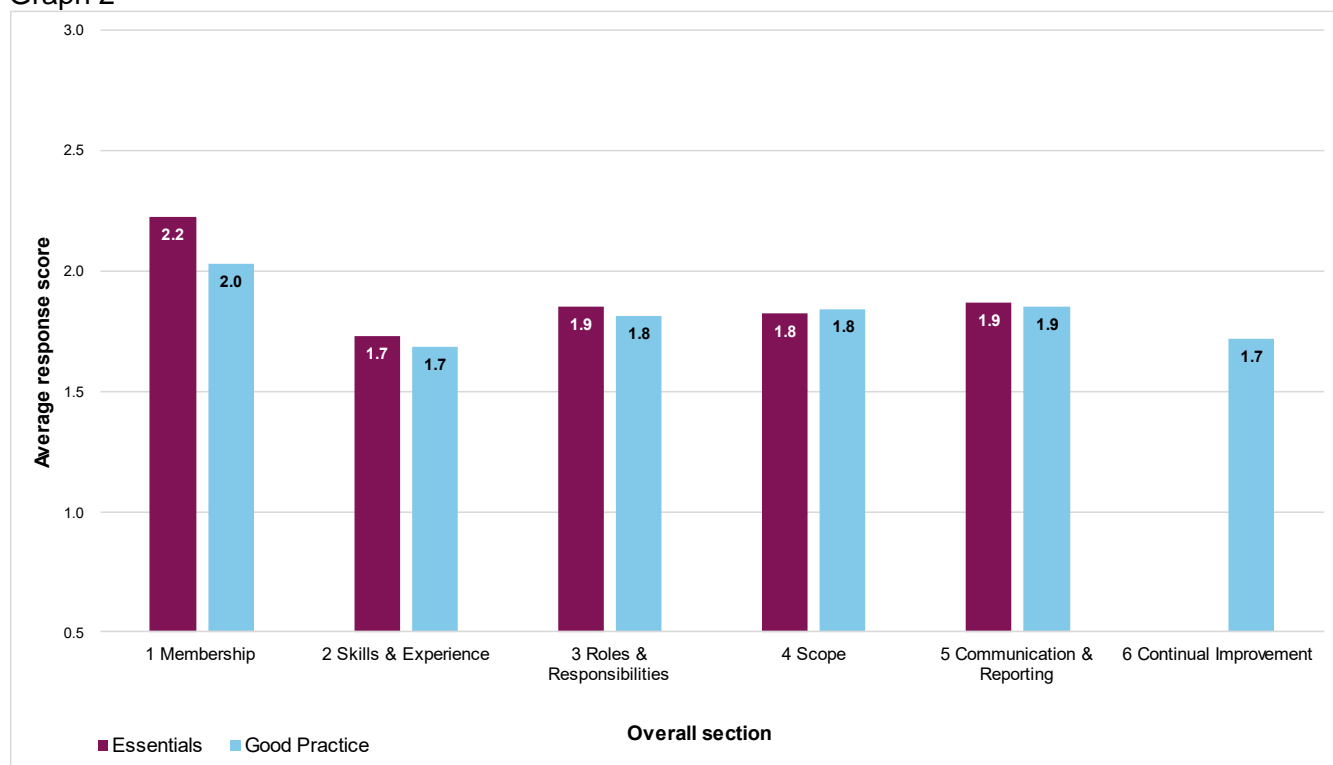
The committee was encouraged to pay attention to the comments provided in the sub-sections.

Overview of responses by section

Graph 1

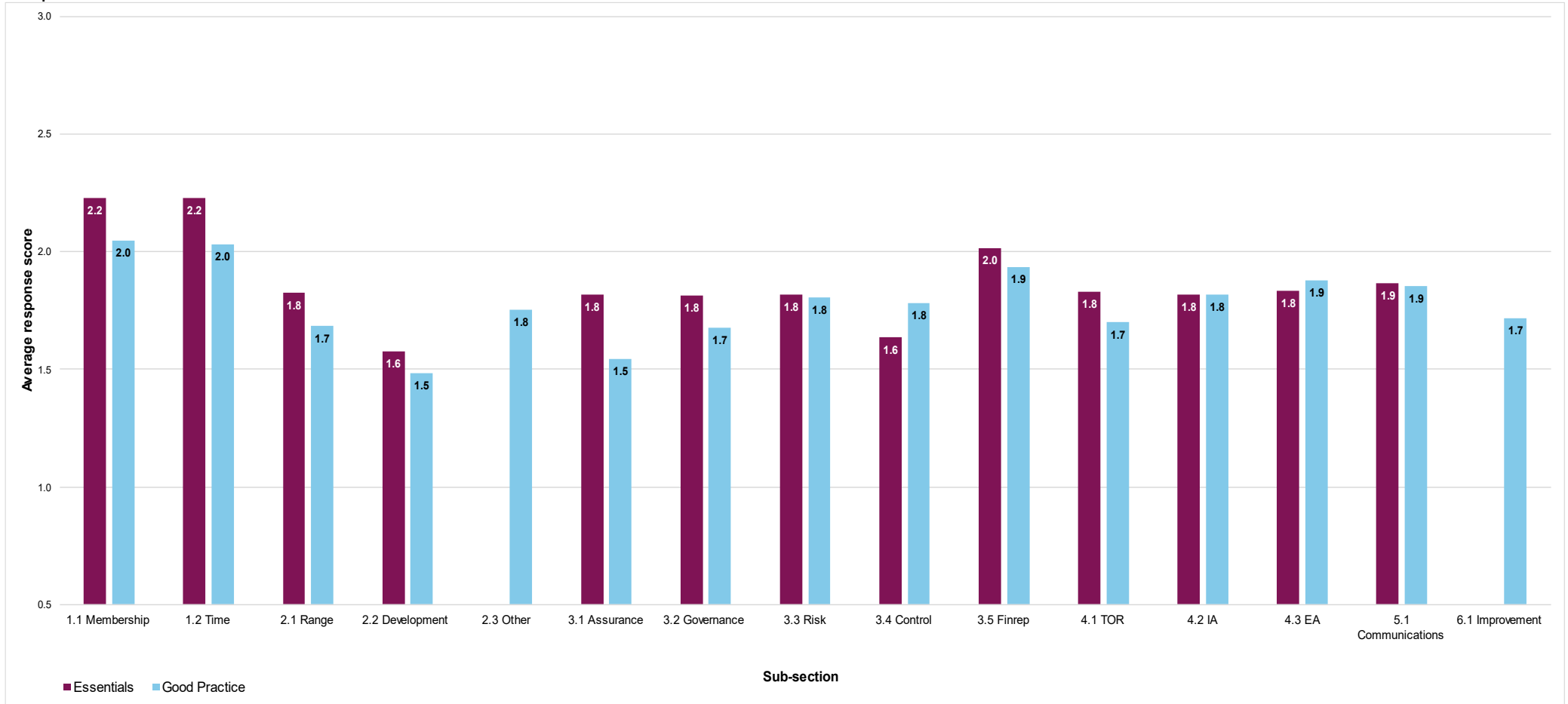


Graph 2



Overview of Responses by sub-section

Graph 3



4. Delegations review

A review of the committee's delegations as detailed in its terms of reference was undertaken to determine whether the committee discharged its duties as delegated by the board, and as recorded in its terms of reference. The review was RAG rated with gaps identified.

The results of the review together with an approved action plan developed in response to the gaps identified in the delegations from the Board, can be found in appendix 2.

Appendix 1

The Audit, Risk and Governance Committee (ARGC) Self-Review of Effectiveness 2023/24

Introduction

In November 2023, the Audit, Risk and Governance Committee (ARGC) approved the use of the National Audit Office questionnaire as a means of self-evaluation. 11 colleagues, NEDs/Independents/Executives/External Providers responded. One NED chose not to complete the form being too new.

Earlier this month, the Committee discussed the findings and comments from which we agreed a number of recommendations for the Committee to take forward. These recommendations may also be useful to other Board Committees.

Proposed Actions with supporting findings

1. **Roles and Responsibilities.** Although all of the ARGC membership have experience of Audit and Risk Committees from their Executive careers, the majority have little experience working as a committee member/doing so in the Public Sector. Members and executives would find it helpful to have a two-page summary outlining the Committees responsibilities, what is expected of Members and what role executives should play. This would allow all colleagues to evaluate their personal contribution against a clear set of expectations.

ACTION Piers White/Helen Gillan/Company Secretary end May 2024

2. **Understanding Corporate Governance** as it applies to the Public Sector and to NHS BT, supported by regular Training and Development opportunities “teach-ins”. It was noted that executive careers do not always expose colleagues to the art of Corporate Governance and furthermore that within the Public Sector, and within the NHS, there are specific sets of requirements. These requirements change from time to time e.g., when the Treasury release new Orange Book content on how Risk Management should be undertaken or Functional Standards are introduced. Committee Members would find it helpful to have a Corporate Governance manual to refer to supported by links to the relevant supporting NHS BT or Government Documents. The Committee would like to have the opportunity to be briefed on and attend cross Government events (e.g. from NAO and GIAA) in relation to these requirements.

ACTION Helen Gillan/Company Secretary/Piers White end May 2024

3. **Assurance and Assurance Mapping.** Members of the Committee and executives agreed that our ability to identify the exact nature of sources of Assurance and the related “Lines of Defence” for all material NHS BT risks - strategic and operational – remains problematic. It is believed that this issue transcends all Board Committees. Work has been in train for a considerable time under the heading “Assurance mapping” which requires all business areas to make a material contribution. The existence of such a map would provide enhanced confidence in executive statements around Assurance and allow members of the Committee to call for a review of the supporting evidence. Reviewing sample evidence would enable the Committee to provide the Board with greater assurance on the way risk is managed and controlled and in turn support the Boards annual statements in the Report and Accounts. This work is due to come to ARGC in March 2024. It is likely that external help/greater prioritisation of this work will be proposed.

ACTION Hellen Gillan/Richard Rackham end March 2024

4. **Impact.** Supported by the executives, the Committee discuss topics which are often material in terms of their impact on NHS BT. Some topics do not necessarily make their way through to the Board in the near term. Most recently, the risks attached to Records management and associated legislative compliance would be an example. Executive plans to address these matters are subject to good challenge and support but, in the view of the Committee, the Board remain unaware of the extent of the concern/level of risk we are running. It is recognised that written reports do go to the Board on the work of the Committee, but the Committee felt greater prominence needs to be given to its work so the Board can prioritise risk matters alongside other strategic initiatives. It is proposed all Board members and executives attend ARGC at least once a year, that the Committee Chair spend a little more time articulating material risks at the Private Board with the support of the relevant executives.

ACTION Company Secretary/all Board members and executives/Piers White ongoing

5. **Skills and Numbers.** The Committee comprises One NED as Chair, one NED, one Associate NED and one Independent member. It was noted that we remain one NED short of complement and this has caused difficulties with being quorate. Furthermore, both NEDs and Executives observed that we are overly reliant on the CFO and Chair of the Committee when it comes to scrutinising the Annual Report and Accounts and the related Governance statements. It was agreed we required a further NED with a financial background ideally in time for the 2023/4 annual report cycle.

ACTION Peter Wyman by end March 24

Items for Board consideration when reviewing the ARGC Terms of Reference

The Committee reviewed the extent to which it had complied with the agreed Terms of Reference. In the Board pack is the review and agreed follow up actions. The self-evaluation work also drew comment on the scope of our work and terms of reference (ToR). Four items were mentioned:

The following 3 items have previously been determined by the Board to be outside the scope of ARGC when the Finance Committee was closed:

1. Finances - scrutiny of these is with the Board but little challenge seems to take place
2. Programmes of Change – are RAG rated and reported to the Board, but the Board rarely review the portfolio performance against plan, realisation of benefits etc
3. Procurement Risks are left to the chosen NEDs reviewing each procurement. Does this leave a gap? ARGC has begun to address the risk management activities of the procurement function and will be considering Supply Chain Risk management in 2024.

The fourth item is within the ARGC scope and is mentioned here as **the Board should be aware that we have yet to consider Sustainability and Climate Change risks**. The current executive risk evaluation would suggest that these matters do not present a challenge to the delivery of our strategy. As we do not have a fully formed plan to take us to “Net Zero” this has to be questioned.

The Board are asked to consider whether they wish to amend the scope of ARGC ToR by adding or removing any of the above items.

Piers White
January 2024.

Appendix 2 - ARGC Delegations Review Action Plan

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<p>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.</p>	<p>The Committee receives an update on Risk Management and reviews the BAF at every meeting. During the year the Committee undertook a deep dive into each Principal Risk to ensure appropriate controls were in place.</p>				
<p>The Committee will review the adequacy of:</p> <ul style="list-style-type: none"> ▪ 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. 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. 	<p>The Committee has a meeting in June specifically dedicated for the review and approval of the Annual Report and Accounts.</p> <p>Risk owners attend to present deep dives into the risks that they own.</p>	<p>The underlying assurances that support corporate objectives, statutory compliance, regulatory compliance, government mandate (via DHSC or other Government Department) and organisational policy.</p>	<ol style="list-style-type: none"> 1. Gap analysis required to confirm self-declarations. 2. Risk Managers to annually review risk management arrangements in operational directorates and report into Risk Management Committee. 	<p>Company Secretary</p> <p>Asst. Director of Governance & Resilience</p>	<p>30 June 2024</p> <p>End March 2025</p>

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<p>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.</p>					
<p>This will be achieved by:</p> <ul style="list-style-type: none"> ▪ 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. 	<p>The Committee reviews and approves of the Internal Audit strategy, operational plan and the detailed programme of work, and this is consistent with the audit needs of the organisation.</p> <p>The Committee considers of the major findings of internal audit and the effectiveness of management's response and the timeliness of follow up actions.</p> <p>Internal Audit function has direct access to the Board Chair and the Committee Chair this provides independence from the executive and accountability to the committee.</p> <p>The Committee performs and annual reviews of the effectiveness of Internal Audit.</p>				
<p>External Audit The Comptroller and Auditor General, Head of the National Audit Office (NAO) is appointed by</p>					

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<p>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:</p> <ul style="list-style-type: none"> ▪ 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. 	<p>The Committee discusses and agrees 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.</p> <p>The Committee approves the terms of engagement, including any engagement letter issued if mandated by a change in auditing standards or for instance a new Accounting Officer</p> <p>The Committee approves 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.</p> <p>The Committee discusses with the External Auditors their local evaluation of audit risks and assessment of NHS BT and associated impact on the audit fee and reviews of all External Audit reports.</p>				
<p>Clinical Governance</p>	<p>The Committee will receive a report on the work of the Clinical</p>				

Blood and Transplant

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
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.	Governance Committee which will include a report of work undertaken, and 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 will cover key findings from the programme of audits and the proposed plan for the subsequent year. Since this is the first year of the CGC, no RAG rating has been provided against this section.				
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.		The People Committee produced an Annual Report, but this was not presented to the ARGC. Annual reports of committees have been factored into the ARGC workplan and these will be presented to the ARGC going forward.	People Committee to send report to ARGC annually.	Company Secretary	30 June 2024
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 Committee receives regular reports on the Board Assurance Framework, which includes reporting on risks rated as outside risk tolerance and other issues of concern raised by the Chief Risk Officer. The Committee has responsibility for the following risks:	The Audit Risk and Governance Committee will receive regular reports on the Assurance Map. This will include reporting on legal and other mandatory compliance	Plan to be presented to ARGC	Asst. Director of Governance & Resilience	31 March 2024

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<p>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.</p>	<ul style="list-style-type: none"> NHSBT-02 Disruption NHSBT-03 Critical IT System Failure NHSBT-04 Donor Numbers & Diversity NHSBT-05 Finance NHSBT-09 Non-compliance with current or emerging regulations (complete May 2022) NHSBT-10 Scale and pace of the NHSBT change programme. <p>The Committee received assurance from the People Committee and the Clinical Governance Committee are reviewing the risks assigned to them.</p>	<p>by exception, any risks against compliance and any issues of concern raised by those charged with responsibility for corporate governance.</p> <p>Work on the Assurance Map is being progressed.</p>			
<p>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.</p>	<p>The Committee received the minutes from each RMC meeting.</p>	<p>The Committee did not receive an annual report from the Risk Management Committee (RMC) for the period under review.</p> <p>Annual reports of committees have been factored into the ARGC workplan and these will be presented to the ARGC going forward.</p>	<p>Annual report to ARGC due in May 2024</p>	<p>Asst. Director of Governance & Resilience</p>	<p>31 May 2024</p>
<p>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</p>	<p>The Committee received the minutes from the IGC in January 2024 and this will be the practise going forwards.</p>	<p>The Committee did not receive an annual report from the Information Governance Committee for the period under review.</p>	<p>Committee re-established, annual report to be presented to ARGC in May 2024</p>	<p>Dave Lockett</p>	<p>31st May 2024</p>

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<p>organisation, compliance with applied standards and performance during the year.</p>		<p>Annual reports of committees have been factored into the ARGC workplan and these will be presented to the ARGC going forward.</p>			
<p>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.).</p>	<p>The Committee review the findings of external assurance functions and consider the implications to the governance of the organisation, through the Management Quality Review Report and the Regulatory Radar</p>				
<p>Financial Reporting The Committee is responsible to reviewing and making recommendations to The Board and CEO on NHSBT's Annual Report and Financial Statements</p> <ul style="list-style-type: none"> ▪ 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. 	<p>The Committee has a meeting in June specifically dedicated for the review and approval of the Annual Report and Accounts.</p>				

Delegation	How was this discharged	Gaps	Action	Owner	Status / Date
<ul style="list-style-type: none"> ▪ 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. <p>In addition, the Committee will</p> <ul style="list-style-type: none"> ▪ Review the financial performance of NHBST 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. 					
<p>Budgetary Control 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.</p>					